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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 2023

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

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

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

*This announcement, for which the directors (the “**Directors**”) of Loco Hong Kong Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 2023, together with comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Revenue			
– Sales of metal		10,706,777	34,548
– Education management services		33,705	13,793
		<hr/>	<hr/>
Total revenue	3	10,740,482	48,341
Trading gains on commodity forward contracts		–	59
Other income		41	558
		<hr/>	<hr/>
		10,740,523	48,958
Carrying value of inventories sold		(10,686,681)	(34,062)
Change in fair value of commodity inventories		–	5
Depreciation on property, plant and equipment		(648)	(1,212)
Depreciation on right-of-use assets		(2,877)	(2,392)
Gain on disposal of a subsidiary		1,566	–
Employee costs		(10,749)	(13,169)
Fair value changes on other financial asset		20	(170)
Other operating expenses		(10,451)	(14,198)
Provision of loss allowance on trade and other receivables		(322)	(214)
Rental expenses		(1,362)	(1,435)
Share of loss of an associate		(1,552)	(4,787)
Finance costs	4	(1,050)	(219)
		<hr/>	<hr/>
Profit/(loss) before income tax expense	5	26,417	(22,895)
Income tax expense	6	(9,042)	(269)
		<hr/>	<hr/>
Profit/(loss) for the year		17,375	(23,164)
		<hr/> <hr/>	<hr/> <hr/>

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive loss			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(687)</u>	<u>(1,280)</u>
Other comprehensive loss for the year, net of tax		<u>(687)</u>	<u>(1,280)</u>
Total comprehensive income/(loss) for the year		<u>16,688</u>	<u>(24,444)</u>
Profit/(loss) for the year attributable to:			
– Owners of the Company	7	17,375	(22,074)
– Non-controlling interests		<u>–</u>	<u>(1,090)</u>
		<u>17,375</u>	<u>(23,164)</u>
Total comprehensive income/(loss)			
for the year attributable to:			
– Owners of the Company		16,688	(23,153)
– Non-controlling interests		<u>–</u>	<u>(1,291)</u>
		<u>16,688</u>	<u>(24,444)</u>
Earning/(loss) per share attributable to owners of the			
Company during the year (basic and diluted)	7	<u>2.10</u>	<u>(2.66)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment		5,184	1,249
Right-of-use assets		6,332	6,338
Interest in an associate		–	2,916
Other financial assets		–	4,280
		<u>11,516</u>	<u>14,783</u>
Current assets			
Inventories		261	261
Trade and other receivables and prepayments	8	359,871	29,424
Loan receivable		–	–
Cash and cash equivalents		16,329	4,180
		<u>376,461</u>	<u>33,865</u>
Current liabilities			
Trade and other payables and accruals	9	314,695	2,204
Borrowings		23,130	12,050
Contract liabilities		–	4,215
Tax payable		3,259	72
Lease liabilities		2,703	2,035
		<u>343,787</u>	<u>20,576</u>
Net current assets		<u>32,674</u>	<u>13,289</u>
Total assets less current liabilities		<u>44,190</u>	<u>28,072</u>
Non-current liabilities			
Deferred tax liabilities		1,116	194
Lease liabilities		3,072	4,602
		<u>4,188</u>	<u>4,796</u>
Net assets		<u>40,002</u>	<u>23,276</u>
Equity			
Share capital		188,348	188,348
Reserves		(148,384)	(165,072)
Equity attributable to the owners of the Company		<u>39,964</u>	<u>23,276</u>
Non-controlling interests		38	–
Total equity		<u>40,002</u>	<u>23,276</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 metal business, education management services business and money lending services business.

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 15 March 2024.

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*

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impacts on application of Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- (ii) the Group also, as at 1 January 2022, recognized a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance.

New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

The Group has several subsidiaries operating in Hong Kong which are obliged to pay long service payment (“**LSP**”) to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the “**Abolition**”). The Abolition will officially take effect on 1 May 2025 (the “**Transition Date**”). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the abolition of the mechanism.

By following the Guidance, the Group has therefore changed its accounting policy and ceased to apply the practical expedient and reattribute the deemed employee contributions on a straight-line basis from the date when services by employee first lead to their benefits in terms of the LSP legislation in accordance with HKAS 19 paragraph 93(a). The cumulative effect of recognized these adjustments as of 31 December 2022 and for the year ended 31 December 2023 was not material and hence no material impact has had on the accumulated losses, or another component of equity for the prior periods and current year.

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.
- (ii) Money lending services – Provision of money lending services.
- (iii) Education management services – Provision of education management services.

(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 2022 and 2023 are as follows:

	For the year ended 31 December 2023			
	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>)	<u>10,706,777</u>	<u>–</u>	<u>33,705</u>	<u>10,740,482</u>
Reportable segment profit/(loss)	<u>16,769</u>	<u>(151)</u>	<u>27,035</u>	<u>43,653</u>
Depreciation of property, plant and equipment				(10)
Depreciation of right-of-use assets				(1,182)
Employee costs				(7,226)
Interest expenses				(487)
Other unallocated corporate expenses				(8,331)
Profit before income tax expense				26,417
Income tax expense				(9,042)
Profit for the year				17,375
Reportable segment assets	<u>329,916</u>	<u>67</u>	<u>52,600</u>	<u>382,583</u>
Cash and cash equivalents				2,916
Property, plant and equipment				8
Right-of-use assets				798
Other unallocated corporate assets				1,672
Consolidated total assets				387,977
Additions to specified non-current assets	<u>2,990</u>	<u>–</u>	<u>4,608</u>	<u>7,598</u>
Reportable segment liabilities	<u>325,662</u>	<u>68</u>	<u>6,461</u>	<u>332,191</u>
Lease liabilities				817
Other unallocated corporate liabilities				14,967
Consolidated total liabilities				347,975

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

	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.

(b) Other segment information

	For the year ended 31 December 2023			
	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>
Depreciation of property, plant and equipment	(129)	–	(509)	(638)
Depreciation of right-of-use assets	(736)	(123)	(836)	(1,695)
(Provision)/reversal of provision of loss allowance on trade and other receivables	(554)	–	232	(322)
Interest expenses	(357)	(3)	(203)	(563)
Share of loss of an associate	(1,552)	–	–	(1,552)
Fair value changes on other financial asset	20	–	–	20

	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	(220)	–	–	(220)

(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, Singapore and the mainland of the People's Republic of China (the "PRC Mainland"). 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*	
	2023 HK\$'000	2022 HK\$'000
Hong Kong	1,439,823	12,386
PRC Mainland	65,429	35,955
Singapore	9,235,230	—
	<u>10,740,482</u>	<u>48,341</u>

* Based on location of customers.

	Specified non-current assets	
	2023 HK\$'000	2022 HK\$'000
Hong Kong	1,498	5,348
PRC Mainland	8,244	5,155
Singapore	1,774	—
	<u>11,516</u>	<u>10,503</u>

(d) **Disaggregation of revenue**

	2023 HK\$'000	2022 HK\$'000
Trading of metal	10,706,777	34,548
Education management services	33,705	13,793
Money lending services	—	—
	<u>10,740,482</u>	<u>48,341</u>

(e) Disaggregation of revenue from contracts with customers

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
By timing of revenue recognition:		
Control transferred over time	33,705	13,793
Control transferred at a point in time	<u>10,706,777</u>	<u>34,548</u>
	<u>10,740,482</u>	<u>48,341</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A ¹	5,879,407	N/A
Customer B ¹	3,069,445	N/A
Customer C ¹	1,336,425	N/A
Customer D ¹	N/A	12,386
Customer E ¹	N/A	9,681
Customer F ¹	<u>N/A</u>	<u>9,585</u>

¹ Revenue from trading of metal

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

4. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on borrowings	766	67
Interest on lease liabilities	<u>284</u>	<u>152</u>
	<u>1,050</u>	<u>219</u>

5. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

Profit/(loss) before income tax expense is arrived at after charging:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditors' remuneration	800	600
Exchange losses – net	136	645
Lease payments not included in the measurement of lease liabilities	<u>1,362</u>	<u>1,435</u>

6. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax:		
Charge for the year	8,120	75
Deferred tax:		
Charge for the year	<u>922</u>	<u>194</u>
Income tax expense	<u>9,042</u>	<u>269</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 rate is 16.5% for the year ended 31 December 2023 (2022: 16.5%) on the estimated assessable profits arising in Hong Kong except for the first HK\$2 million of qualified group entity's assessable profit is calculated at 8.25% which is in accordance with the two-tiered profit tax rates regime.

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 2023 (2022: 25%).

7. EARNING/(LOSS) PER SHARE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit/(loss)		
Profit/(loss) attributable to owners of the Company	<u>17,375</u>	<u>(22,074)</u>
	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earning/(loss) per share (<i>in thousand</i>)	<u>829,404</u>	<u>829,404</u>

For the year ended 31 December 2023, the computation of diluted earning per share does not assume the exercise of the Company's outstanding share options since their exercise price is higher than the average market price of the Company's share for the year. Accordingly, the basic and diluted earning per share are the same.

Diluted loss per share for loss attributable to owners of the Company for the year ended 31 December 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	332,910	10,618
<i>Less: provision for loss allowance</i>	<u>(679)</u>	<u>(372)</u>
Trade receivables – net (<i>Note</i>)	332,231	10,246
Loan interest receivable	–	893
<i>Less: provision for loss allowance</i>	<u>–</u>	<u>(893)</u>
Loan interest receivable	–	–
Other receivables and deposits	26,408	19,273
<i>Less: provision for loss allowance</i>	<u>(208)</u>	<u>(208)</u>
Other receivables and deposits – net	26,200	19,065
Prepayments	<u>1,440</u>	<u>113</u>
	<u>359,871</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	61,120	8,388
31 – 90 days	222,751	922
91 – 180 days	47,414	426
Over 180 days	946	510
	<u>332,231</u>	<u>10,246</u>

9. TRADE AND OTHER PAYABLES AND ACCRUALS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	311,933	–
Other payables and accruals	2,762	2,204
	<u>314,695</u>	<u>2,204</u>

The followings is an aging analysis of trade payable presented based on the invoice date:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 60 days	223,843	–
61 – 90 days	1,951	–
Over 90 days	86,139	–
	<u>311,933</u>	<u>–</u>

The credit period on purchases of goods is ranging from 1 month to 3 months generally.

10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2023 (“**FY2023**” or “**Current Year**”), the Group’s principal activities were broadly divided into metal business, education management services business and money lending services business.

In 2023, in the face of the complex and challenging external environment, the Group’s unrelenting efforts, refinement of its business strategy and various proactive measures have resulted in a good trend in the Group’s overall operations and achieved continual optimization of the structure of its asset, with its revenue exceeding HK\$10 billion for the first time and reaching HK\$10,740.5 million, representing an increase of 22,137% (an increase of approximately 221 times) as compared to HK\$48.3 million for the year 31 December 2022 (“**FY2022**”), and successfully recorded a profit attributable to the owners of the Company of approximately HK\$17.4 million, which far exceeded the performance in FY2022 (loss attributable to owners of the Company was approximately HK\$22.1 million in FY2022). The principal business achieved significant enhancement in substance, sustainability and development, succeeded in turning from loss to profit and recorded significant growth, which is the result of the Group’s unrelenting efforts, accumulation and continuous promotion of proactive industrial layout amidst the difficult environment in the past.

I. Metal business

The Group has been engaged in the metal business since 2010, as a business segment of the Group, which has up to now a total operating record of over 14 years. In the past, the Group traded silver, gold and tin, of which silver was the main product. While the Group had operated metal processing in Hong Kong according to the then operating environment in the past, the business model of the metal business is largely the same which focuses on metal trading, with or without processing. Although the metal business faced severe challenges from many uncontrollable factors since 2017, including the significant fluctuation of silver prices, the trade disputes between major countries, the global economic downturn, especially the environmental protection policies and the export quota restrictions of silver scraps from the PRC Mainland; facing adverse factors such as shortage supply of raw materials and shrinking demands as a result of multiple factors such as the global epidemic outbreak, lockdown among international, Hong Kong and the PRC Mainland in 2020, the metal business operated in an extraordinarily difficult environment, the Group has always persevered with the metal business, and continued to promote industry layouts and expansion, increasing the product varieties and enhancing the international trades, also the Group has continued to improve and optimize the product varieties and models according to the changes in the general environment, and decisively terminated inefficient elements, and now achieved positive results. Up to now, the metal business already covers bulk metal commodity trade, and has successfully built solid business relationships with a number of large-scale state-owned enterprises, large-scale key comprehensive enterprises in the PRC Mainland and international corporations. The number of customers grew from 4 in 2022 to 9 in 2023. During the first quarter in 2024, there were 2 additional new customers, bringing the total number of customers to 11 and the Group expects the number would continue to grow.

At the beginning of 2023, with the resumption of normal travel between Hong Kong and the PRC Mainland, the Group completed a large business order of over HK\$100,000,000 with SCPI, a wholly-owned subsidiary of SPSI Group, being a large state-owned enterprise in the PRC Mainland, in the first quarter. By the second quarter of 2023, the Group continued to actively expand, consolidate and develop business channels. Also, in the third quarter, the Group adopted diversified marketing strategies including competitive pricing and enhanced product offerings to garner market presence and secure a strong foundation with loyal customer base to better leverage on economies of scale for sustainable long-term growth, while continuing to expand industrial channels, and committed to expanding market share and business scale. These efforts have made the metal business resulted in substantial improvements in the third quarter of 2023; the financial performance of the metal business further improved in the fourth quarter, turn from loss to profit and recorded business segment profit.

In FY2023, the Group has completed a metal sales volume of approximately 7.29 million tons, and the sales contract value exceeded HK\$10 billion, amounted approximately HK\$10,706.8 million. Compared with the revenue of the metal business of approximately HK\$34.5 million as of FY2022, there was a significant increase of approximately 30,934% (an increase of approximately 309 times). The key factors driving the growth of the metal business include in 2023, under the background of the gradual normalization and recovery of global trades, the metal business of the Group had kept continual growth momentum and, with the accumulation and continuous promotion of long-term industrial layout, the Group had succeeded in broadening product varieties in the metal business and expanded international trades. 2023 saw significant strengthening of the metal business whether in substance, sustainability and development, which is the result of the Group's unrelenting efforts, accumulation and continuous promotion of proactive industrial layout in the difficult environment in the past.

I. Main products

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

II. Main Customers

Name of customer	The group/de facto controller that the customer belongs to	Nature of the group/de facto controller that the customer belongs to
Vanding Innova SG Pte. Ltd	A wholly-owned subsidiary of Wanxiang Group* (萬向集團公司), a large-scale key comprehensive enterprise in the PRC Mainland, which is one of China’s top 500 companies. Wanxiang Group has four companies listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange respectively in the PRC Mainland (Stock Codes: 000559, 600371, 000631, 000848).	Large-scale key comprehensive enterprise in the PRC Mainland
Xinglong SGP Pte. Ltd.	An international commodities trading company in Singapore, whose main products are standard metals such as copper, aluminum and nickel, as well as copper concentrate, iron ore, ferronickel and energy products.	International trading enterprise
Yancoal International (Singapore) Pte. Ltd. (“ Yancoal International ”)	Yancoal International and Rocklands are wholly-owned subsidiaries of Shandong Energy Group Co., Ltd. (“ Shandong Energy ”), a state-owned enterprise of Shandong Province, which is one of the world’s top 500 companies. Yancoal International is the overseas trading platform company of Shandong Energy’s energy trading sector.	Large-scale comprehensive state-owned enterprise in the PRC Mainland
Rocklands Richfield (Hong Kong) Limited (“ Rocklands ”)	Shandong Energy is also the controlling shareholder of Yankuang Energy Group Company Limited* (兗礦能源集團股份有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 1171).	

Name of customer	The group/de facto controller that the customer belongs to	Nature of the group/de facto controller that the customer belongs to
Sichuan Cloud Port International (Hong Kong) Limited (“ SCPI ”)	A wholly-owned subsidiary of Sichuan Port and Shipping Investment Group Co., Ltd. (“ SPSI Group ”), a state-owned enterprise in Sichuan Province. SPSI Group is a large-scale comprehensive trading group in western PRC Mainland, and SCPI is the Hong Kong window company of SPSI Group.	Large-scale comprehensive state-owned enterprise in the PRC Mainland
Yunnan Tonghai Linhai Standard Parts Co., Ltd.* (雲南通海林海標件有限公司)	A supplier of hardware standard parts in Yunnan Province. The company has been operating for around 20 years. Its main downstream customers are transportation infrastructure state-owned enterprises and manufacturing enterprises in Yunnan Province.	Key medium-sized private-owned enterprise in the PRC Mainland
Chengdu Zhonghuan Fulin Trading Co., Ltd.* (成都中環福霖商貿有限公司) (“ Zhonghuan Fulin ”)	Zhonghuan Fulin is one of the largest hardware, electromechanical standard parts supply chain enterprises in Sichuan Province, and is a national hardware and electromechanical information collection unit in the PRC Mainland. Zhonghuan Fulin has been operating for more than 20 years and has more than 1,000 downstream end customers.	Key private-owned enterprise in its industry in the PRC Mainland
Sichuan Jianyang Sanhe Standard Parts Co., Ltd.* (四川省簡陽三和標準件有限公司)	A hardware standard parts supplier in Jianyang City, Sichuan Province. The company has been operating for more than 20 years. Its main downstream customers are transportation infrastructure enterprises and manufacturing enterprises in Sichuan Province.	Medium-sized private-owned enterprise in the PRC Mainland

Name of customer	The group/de facto controller that the customer belongs to	Nature of the group/de facto controller that the customer belongs to
Zall International Commerce (Singapore) Pte. Ltd.	A wholly-owned subsidiary of Zall Smart Commerce Group Ltd. (“ Zall Smart Commerce ”), which is one of China’s top 500 companies and a large-scale comprehensive digital supply chain platform company. Zall Smart Commerce is also a company listed on the Hong Kong Stock Exchange (Stock Code: 2098).	Company listed on the Hong Kong Stock Exchange

The Group’s new customer in the first quarter of 2024:

Whamet Resources Pte. Ltd.	A Singapore International Metal Trading Company, which is mainly engaged in the trade of steel products and the import and export of steel raw materials (iron ore, etc.).	International Trade Enterprises
Commodities Intelligence Centre PTE. LTD (“ CIC ”)	<p>CIC is a joint venture established by the three sizeable enterprises, China’s leading B2B eCommerce Group, ZALL Smart Commerce, Globale Trade Services (GeTS) and Singapore Exchange (SGX).</p> <p>CIC is a global commodities trading platform focusing on non-ferrous metals, ferrous metals, energy, chemicals, agricultural products and other categories of commodities.</p> <p>CIC’s major shareholder, ZALL Smart Commerce, is a company listed on the Hong Kong Stock Exchange (Stock Code: 2098).</p> <p>CIC Shareholder Singapore Exchange is a company listed on the Singapore Exchange (SGX) (Stock Code: S68)</p>	International Trade Enterprises

III. Market prospects, development plans and strategies

During FY2023, the domestic economy of the PRC Mainland continued to rebound and improve. The main customers (end customers) of the Group's metal business included large-scale comprehensive state-owned enterprises and large-scale key comprehensive enterprises in the PRC Mainland. The metal business involves trading metals and mineral products, which are closely tied to domestic production, construction, and overall economic development. The Group expected that the metal business will benefit from the ongoing recovery of the domestic economy in the PRC Mainland and thus the business scale of the metal business would also further increase.

However, in the current macro environment where the global economic recovery is slower than expected, uneven and unstable, and inflation and interest rates are still high, the metal trading business, which used to have a low industry profit margin, has experienced a further decline in the industry profit margin during the year. The same is true for the Group, however, despite the challenges in the operating environment, the Group still successfully achieved a reportable segment profit of more than HK\$16 million for this segment in FY2023, proving the effectiveness of the Group's operating strategies. In order to further increase profit margin and effectively control risks, the metal business mainly operates metal commodities with relatively transparent prices in international and domestic markets and relatively controllable risks. Meanwhile, the metal business's customers are mainly large-scale state-owned enterprises and large-scale key comprehensive enterprises. Such types of customers have good reputation and continuous and stable procurement needs. To ensure the sustainable, efficient and stable development of the metal business and controllable risks, the Group will continue to expand its cooperation with large state-owned assets and key comprehensive enterprise customers. It will also examine market trends and customer needs, as well as actively expand its own resources to diversely develop towards new metal products.

II. Education management services business

The Group has been engaged in education management services business since 2019 as one of the Group's business segments. As of 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 education institutions in the PRC Mainland.

Since the introduction of the education management services business by the Group in 2019, the education management services business has an operating record of more than five years. It has achieved well results in the same year of introduction. Although the education management services business has been severely and adversely affected by multiple uncontrollable factors such as severely hit by the global pandemic in 2020, and the introduction of the national relevant policies on the rectification and reform of education in 2021, the Group has never slackened its efforts, but has actively responded to and comprehensively deployed, timely adjusted its business strategy, and shifted the education management services business focus to the fields of art and sports education, humanities education and well-rounded education encouraged by the national education policy as well as educational books distribution. The new business strategy has achieved initial results in 2022, with a number of new contracted customers in the above-mentioned education fields. In 2023, with the gradual resumption of domestic education and teaching as well as students' extracurricular courses and activities in the PRC Mainland, the Group were able to capture the growth in demand and the education management services business presented a good recovery trend as a whole, and the revenue has increased significantly.

For the year ended 31 December 2023, the Group's education management services business recorded a revenue of approximately HK\$33.7 million. Compared with the revenue of the education management services business for the same period of last year of approximately HK\$13.8 million, it represents a significant increase of approximately 144% (an increase of approximately 1.44 times). The education management services business is uniquely positioned and will continue to attain substantive, sustainable and steady development.

I. Main service models and results

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

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

- (1) Assist the Group's kindergarten customers to extend the age range of preschool education students. Through the Group's recommendation of preschool teachers and curriculum design, community/neighborhood population data and the Group's related resources, the Group has successfully assisted customers to add 0-3 years old childcare services from the original 3-6 years old admission service age, forming a full coverage of the 0-6 years old preschool age group, and forming a stable and sustainable source of students for customers.

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

Help customers to maintain a stable teaching staff

- (5) Help recommend, identify and recruit qualified and experienced teachers and lecturers: Through the database established by the Group, the Group helps customers to identify, recommend and recruit qualified and experienced teachers or lecturers, so as to provide high-quality educational courses for customers' students on the one hand, and ensure the stability and adequacy of customers' teaching staff on the other hand. This effectively helps customers maintain their core appeal to current and potential students.

- (6) Help to improve the qualifications of customers' teachers: The Group organizes various trainings and lectures for customers and invites well-known instructors for communication. The Group also establishes a database of teachers sources for customers, and maintains customers and their teaching staff's licenses and qualifications.
- (7) Assist in the development and design of lesson plans and tutorials: The Group assists customers in analysing and designing the structure and content of their courses, broadens the types and contents of courses for customers, and also provides customers with educational teaching materials and books recommendations that meet the curriculum and teaching objectives.
- (8) Assist in the maintenance of customers' operating licenses and teaching staff's licenses: The Group assists customers in completing the annual review and qualification review of their operating licenses and teaching staff's licenses by the relevant regulatory authorities in the PRC Mainland, ensuring the existence and compliance of the relevant licenses of the customers, so that the customers can focus on the education business itself.

Provide admissions and marketing services to customers

- (9) Market research: The Group will help customers to conduct market research, including the latest government support policies, development trends of popular lesson plans, community/neighborhood population age distribution and big data on potential customer groups, etc., in order to help customers increase their enrollment sources and increase the number of students.
- (10) Assist customers with student enrollment: The Group assists customers with enrollment strategies and publicity, and assists customers in attracting and recruiting students. These include holding campus open days, educational exhibitions, among others, for the customers.
- (11) Cooperate with marketing and promotional activities: The Group cooperates with its customers to develop marketing and promotional activities to increase customers' visibility and reputation, and build brand image. These include holding open days and exhibitions for customers, recommending customers to participate in different educational exchange meetings, etc., so as to increase exposure, raise existing enrollment rates and cultivate potential students.

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

II. Main Customers

In the fourth quarter of 2023, the Group secured a humanistic well-rounded natural experience education provider as a new customer.

The education management services business mainly involves provision of relevant educational management services to 9 educational institutions in Chengdu, the PRC Mainland (covering four types of customers, including 4 arts and physical education and training institutions, 2 kindergartens, 2 humanistic well-rounded natural experience education provider and 1 educational textbook and book distributor.).

III. Market prospects, development plans and strategies

(1) Policy support in the PRC Mainland

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

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

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

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

(2) *The enormous market in Chengdu*

According to the “Chengdu Statistical Yearbook 2023” released by Chengdu Municipal Bureau of Statistics in December 2023, for 2022, there were 642 middle schools, 636 primary schools and 2,821 kindergartens in Chengdu. The numbers of students receiving education at all levels were approximately 720,000 in middle schools, 1.18 million primary schools, and 660,000 in kindergartens.

The Group's education management services business has successfully established itself in the Chengdu market and has provided education management services to 9 education-related institutional customers. Benefiting from the business development direction encouraged by policies, abundant education management resources, diversified customer base and good cooperation with customers, the education management services business has unique competitive advantages. The Group will continue to focus on the Chengdu market and for current customers, consolidate its own brands, expand new customers based on market demand and its own resources, so as to continue to attain substantive, sustainable and steady development.

III. Money lending services business

As of 2023, in an environment of high inflation and high interest rates, the credit risk in the money lending services remains high as the global economic and social development is still facing an uncertain situation. Due to the uncertain economic situation and business outlook, the Group strictly adheres to a prudent credit assessment and review policy and assesses the creditworthiness of existing and potential clients in a timely manner based on the prevailing market conditions and the respective background of the clients. As the prevailing uncertain economic conditions would affect asset valuation projections, business forecasts and individual repayment capacity projections, the money lending services 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 Year (2022: Nil).

FINANCIAL REVIEW

For the year ended 31 December 2023, the Group had a total revenue of approximately HK\$10,740.5 million (2022: approximately HK\$48.3 million), representing an increase of approximately 22,137% as compared with 2022. The Group recorded profit of approximately HK\$17.4 million (2022: loss of approximately HK\$23.2 million) for the year ended 31 December 2023, representing a turn from loss to profit as compared to 2022. The turn from loss to profit was mainly attributable to net effect of:

- (a) an increase in the Group's total revenue of approximately HK\$10,692.2 million as discussed in above;
- (b) the carrying value of inventories sold was recognized approximately HK\$10,686.7 million (2022: approximately HK\$34.1 million);
- (c) gain on disposal of a subsidiary was recognised approximately HK\$1.6 million;
- (d) a decrease in share of loss of an associate of approximately HK\$3.2 million;

- (e) a decrease in employee costs of approximately HK\$2.4 million;
- (f) a decrease in other operating expenses of approximately HK\$3.7 million; and
- (g) an increase in income tax expense of approximately HK\$8.8 million.

For the year ended 31 December 2023, the Group's profit attributable to owners of the Company was approximately HK\$17.4 million, as compared to the loss attributable to owners of the Company of approximately HK\$22.1 million for 2022.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group had cash and bank balances of approximately HK\$16.3 million (2022: approximately HK\$4.2 million) and net current assets of approximately HK\$32.7 million (2022: approximately HK\$13.3 million). As at 31 December 2023, the current ratio stood at 1.10 times (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\$12.1 million is mainly attributable to the profit for the year, the net proceeds from borrowing and the increase in the trade and other payable, netting off by the increase in the trade and other receivables.

As at 31 December 2023, the Group had outstanding borrowings of approximately HK\$23.1 million (2022: approximately HK\$12.1 million). The borrowings represent loans denominated in HK\$ and USD from shareholders bearing interest at 2.5% per annum which are unsecured and are repayable within one year.

As at 31 December 2023, no banking facilities were granted to the Group (2022: 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 24 November 2023, the Company entered into the agreement with an independent third party, Chengdu Chaoyang Huashen Environmental Protection Technology Limited* (“**Chengdu Chaoyang**”) regarding the sale of 10,000 shares of HK\$1.00 each in the share capital of New Eagle International Limited to Chengdu Chaoyang at the consideration of RMB10,000. Upon completion of the disposal, New Eagle International Limited ceased to be a subsidiary of the Company and the financial results of it was no longer consolidated in the financial statements of the Group. For the details of the disposal, please refer to the announcement of the Company dated 24 November 2023.

On 29 December 2023, China Precision Material Limited (an indirect wholly-owned subsidiary of the Company) entered into the agreement with an independent third party, Chengdu Huiyuan Zhitai Metal Technology Co., Ltd.* (“**Chengdu Huiyuan**”) regarding the sale of 7,920,000 shares in the share capital of Lexus Group (Asia) Limited, representing 18% equity interest in that company, to Chengdu Huiyuan at the consideration of HK\$4,300,000. Upon completion of the disposal, China Precision Material Limited ceased to have any interest in Lexus Group (Asia) Limited. For the details of the disposal, please refer to the announcement of the Company dated 29 December 2023.

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 2023. There was no other plan for material investments or capital assets as at 31 December 2023.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group employed a total of 23 staff (2022: 24 staff). The total employee costs, including remuneration of the Directors, for the year ended 31 December 2023 amounted to approximately HK\$10.7 million (2022: approximately HK\$13.2 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 2023, no Group’s asset was pledged as security (2022: Nil).

* English name for identification only

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 2023, the gearing ratio was 23.9% (2022: 38.4%).

CONTINGENT LIABILITIES

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

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

Certain of the Group's subsidiaries primarily operate in Hong Kong and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar ("USD") and the Renminbi ("RMB"). Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in our Group's Hong Kong subsidiaries when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to, overseas. Considering that the Hong Kong dollar is pegged with the USD, the management is of the opinion that the currency exposure arising from USD transactions is not significant to the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

CAPITAL COMMITMENT AND CAPITAL EXPENDITURE

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

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

EVENTS AFTER THE REPORTING PERIOD

The Group has no significant events after the reporting period.

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 2023 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 2022 included in this preliminary announcement of annual results for the year ended 31 December 2023 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 2022 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 2022. 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 2023, 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 C1 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. 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 of the Company 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 Code Provision C.2.1 pursuant to which the roles of chairman of the Board and chief executive officer are held by Mr. Zhang and Mr. Wang, respectively.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions carried out by Directors, that is not laxer than relevant standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries to all Directors, they confirmed they have complied with the standards of dealings and the code of conduct regarding securities transactions carried out by Directors, adopted by the Company throughout the year ended 31 December 2023.

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 2023.

CONTINUED SUSPENSION OF TRADING

References are made to the announcements of the Company dated (i) 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; and (ii) 31 May 2023, 15 August 2023, 15 November 2023 and 15 February 2024 in relation to, among others, the resumption guidance for the resumption of trading in the Shares set by the Stock Exchange and the quarterly update on the Group’s business progress. 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, 15 March 2024

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.