



GLOBAL MASTERMIND
環球大通

GLOBAL MASTERMIND HOLDINGS LIMITED 環球大通集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8063

**THIRD
QUARTERLY
REPORT**

2019

*For identification purposes only

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*This report, for which the directors (the “**Directors**”) of Global Mastermind Holdings Limited (the “**Company**”) 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 report 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 report misleading.*

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Global Mastermind Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) recorded a loss attributable to owners of the Company of HK\$42,627,000 for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: HK\$18,133,000), representing basic loss per share of HK 1.00 cent (for the nine months ended 30 September 2018: HK0.43 cent). Comparing with the last corresponding period, the increase in loss attributable to owners of the Company was mainly attributed to the recognition of impairment losses arising from the loss allowances on the expected credit losses of trade receivables and loan receivables; the recognition of a loss on fair value changes of investment properties; and the increase in finance costs which included an imputed interest expense on convertible bonds.

Revenue and profitability

An analysis of the Group’s consolidated revenue for the nine months ended 30 September 2019 and 2018 were as follows:

	Nine months ended	
	2019	2018
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Services income from provision of travel related services	18,595	22,512
Interest income from money lending business	20,439	11,824
Net realised gain on securities investment	5,065	263
Revenue derived from financial services business	11,672	8,276
	55,771	42,875

For the nine months ended 30 September 2019, the consolidated revenue of the Group amounted to HK\$55,771,000 (for the nine months ended 30 September 2018: HK\$42,875,000), comprised of (i) service income from provision of travel related services of HK\$18,595,000 (for the nine months ended 30 September 2018: HK\$22,512,000); (ii) interest income from money lending business of HK\$20,439,000 (for the nine months ended 30 September 2018: HK\$11,824,000); (iii) net realised gain on securities investment of HK\$5,065,000 (for the nine months ended 30 September 2018: net realised gain of HK\$263,000); and (iv) revenue derived from financial services business of HK\$11,672,000 (including commission income from securities brokerage; interest income from margin financing and initial public offering (“**IPO**”) financing; handling and settlement income arising from securities brokerage; asset management fee income; and corporate finance advisory fee income) (for the nine months ended 30 September 2018: HK\$8,276,000), representing an increase of approximately 30.1% as compared to the corresponding period of last year. The increase in consolidated revenue was mainly contributed by the interest income from money lending business and net realised gain on securities investment.

The revenue arising from travel business in Singapore consists of agency commission and service income (both from customers and suppliers) generated from the provision of travel related services, including airtickets, hotel rooms, Free Independent Traveler (“**FIT**”) packages and ground transportation handling services.

Corporate customers are business travelers who require travel products and services for their travel purposes. Wholesale customers are usually travel services providers who purchase airtickets, hotel rooms, FIT packages and other travel related products. Meetings, Incentives, Conventions and Exhibitions (“**MICE**”) customers refer to customers who are mainly corporate customers, convention organisers and special projects organisers who require one stop professional MICE/special project/event management services.

For the nine months ended 30 September 2019, approximately 33.3% or HK\$18,595,000 (for the nine months ended 30 September 2018: HK\$22,512,000) of the total consolidated revenue was derived from the provision of travel related services.

Following the completion of the disposal of Perfect Well Tours Limited on 27 December 2018, all revenue in the travel business segment was derived from the market in Singapore for the nine months ended 30 September 2019.

The interest income revenue derived from the provision of money lending services amounted to HK\$20,439,000 for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: HK\$11,824,000), representing an increase of approximately 72.9% as compared to that of last corresponding period and was approximately 36.7% of the total consolidated revenue for the nine months ended 30 September 2019.

For treasury management business, net realised gain of HK\$5,065,000 was generated from securities investment (for the nine months ended 30 September 2018: net realised gain of HK\$263,000), representing 9.1% of the total consolidated revenue for the nine months ended 30 September 2019.

For the financial services business, consolidated revenue of HK\$11,672,000 (for the nine months ended 30 September 2018: HK\$8,276,000), representing approximately 20.9% of the total consolidated revenue for the period under review, was generated, including (i) commission income from securities brokerage of HK\$3,496,000 (for the nine months ended 30 September 2018: HK\$2,610,000); (ii) interest income from margin and IPO financing of HK\$2,984,000 (for the nine months ended 30 September 2018: HK\$1,892,000); (iii) handling and settlement income arising from securities brokerage of HK\$4,587,000 (for the nine months ended 30 September 2018: HK\$3,598,000); (iv) asset management fee income of HK\$505,000 (for the nine months ended 30 September 2018: HK\$176,000); and (v) corporate finance advisory fee income of HK\$100,000 (for the nine months ended 30 September 2018: Nil).

Other income, other gains and losses

Other income, other gains and losses for the nine months ended 30 September 2019 amounted to net loss of HK\$14,000 as compared to net gain of HK\$3,352,000 for the corresponding period of last year.

For the reporting period, the Group measured its investment properties in Hong Kong at fair values based on a valuation prepared by APAC Appraisal and Consulting Limited, an independent professional qualified valuer not connected to the Group and recognised a loss of HK\$6,400,000 arising on fair value changes of investment properties, which led to net loss of other income, other gains and losses.

Expenditure

For the reporting period, staff costs amounted to HK\$40,226,000 (for the nine months ended 30 September 2018: HK\$33,946,000). Depreciation and amortisation expenses amounted to HK\$6,587,000 (for the nine months ended 30 September 2018: HK\$5,031,000). Other expenses amounted to HK\$15,906,000 (for the nine months ended 30 September 2018: HK\$21,173,000).

The increase in staff costs was mainly due to the increase in directors' emoluments during the period under review.

Impairment loss on loan receivables

With effect from 1 January 2018, the Group adopted the Hong Kong Financial Reporting Standard 9 "Financial Instruments" ("**HKFRS 9**") that has changed the Group's impairment model by replacing the Hong Kong Accounting Standard 39 "incurred loss model" to "expected credit loss ("**ECL**") model".

The Group performs impairment assessment by applying the HKFRS 9 general approach for all loan receivables on the basis of allowance of 12-month ECL for items without significant increase in credit risk since initial recognition and lifetime ECL for items with significant increase in credit risk since initial recognition with reference to ECL valuation prepared by Grant Sherman Appraisal Limited, an independent professional qualified valuer not connected to the Group.

Allowance for expected credit losses for the loan receivables of HK\$10,061,000 was recognised during the reporting period. The assessment of the expected credit losses of two loan receivables were based on lifetime ECL. The assessment of the expected credit losses of the rest of the loan receivables were based on 12-month ECL.

The ECL of loan receivables is calculated as the product of the three factors: (1) gross credit exposure; (2) probability of default over 12 months following the reporting date for 12-month ECL or over the entire life following the reporting date for lifetime ECL; and (3) recovery rate in case of insolvency in Hong Kong or China. The probability of default is derived through the application of a linear multiple regression model, which estimates the statistical relationship between a dependent variable and multiple independent variables. To reflect any current or forward-looking information affecting the borrowers' ability to settle the loans, certain adjustments have been made in the process of deriving the appropriate probability of default. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of the reporting period about past events, current conditions and forecasts of future economic conditions.

Impairment loss on trade receivables

Allowance for expected credit losses for the trade receivables of the travel business in Singapore of HK\$11,507,000 was recognised during the reporting period.

Based on the assessment performed by Norton Appraisals Holdings Limited (“**Norton Appraisals**”), an independent professional qualified valuer not connected to the Group, the assessment is carried out in accordance with the definition and standard laid down by HKFRS 9.

The Group performs impairment assessment by applying the HKFRS 9 simplified approach for all trade receivables on the basis of allowance of lifetime ECL for items with reference to ECL valuation prepared by Norton Appraisals. The expected credit losses for trade receivables were assessed on both individual and collective basis. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due.

The ECL of trade receivables is calculated as the product of the three factors: (1) probability of default over the entire life following the reporting date for lifetime ECL; (2) exposure at default; and (3) recovery ratio. The probability of default is the expected default rate determined with reference to both qualitative and quantitative factors regarding the trade receivables which included but not limited to repayment history, debtor’s credit ratings and financial position, and economic outlook. Exposure at default is equivalent to the sum of outstanding principal and accrued interest of the receivables. The determination of recovery ratio refers to the value of collaterals and other pertinent factors. Different scenarios are constructed to assess the potential magnitude of ECL. After assigning an expected probability to respective scenarios, ECL will end up being the scenario-weighted figure.

Share of loss of a joint venture

On 30 July 2013, the Group entered into an agreement with a venturer to form a joint venture which principally engages in the business of operating as tours and travel agents in Malaysia at a cash consideration of HK\$14 million and the transaction was completed on 31 August 2013. Since then, the Group has been entitled to receive a management fee which was equivalent to 90% of the profit before taxation of its Malaysia travel business.

During the three months ended 30 September 2019, the Group shared a profit of HK\$2,000 from the joint venture. Adding the loss of HK\$2,065,000 shared by the Group from the joint venture for the six months ended 30 June 2019, the Group shared a loss from the joint venture amounting to HK\$2,063,000 for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: share a loss of HK\$488,000). The loss from the joint venture was mainly attributed to the allowance for expected credit losses for the trade receivables of the travel business in Malaysia.

Finance costs

For the nine months ended 30 September 2019, the finance costs of HK\$10,403,000 (for the nine months ended 30 September 2018: HK\$621,000), out of which (i) HK\$448,000 was attributed to the interest on short term bank borrowings (for the nine months ended 30 September 2018: HK\$621,000); (ii) HK\$6,297,000 was attributed to the imputed interest expense on the convertible bonds issued on 13 November 2018 (for the nine months ended 30 September 2018: Nil); (iii) HK\$3,025,000 was attributed to the interest expense on other borrowing (for the nine months ended 30 September 2018: Nil); and (iv) HK\$633,000 was attributed to the interest expenses on lease liabilities (for the nine months ended 30 September 2018: Nil).

BUSINESS REVIEW

Travel business

During the period under review, the performance of the segment in travel business was not satisfactory. Operating under the atmosphere of a slowing global and Singapore domestic economy and fierce competition in the industry exerted pressure on the Group's travel business in Singapore which led to a decrease in revenue to HK\$18,595,000 for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: HK\$21,845,000). No revenue was generated from the travel business in Hong Kong after the disposal of Perfect Well Tours Limited on 27 December 2018 (for the nine months ended 30 September 2018: HK\$667,000). The revenue in this segment decreased to HK\$18,595,000 for nine months ended 30 September 2019 (for the nine months ended 30 September 2018: HK\$22,512,000), representing a 17.4% decrease as compared to last corresponding period.

Money lending business

During the reporting period, the Group's money lending business generated interest income on loans of HK\$20,439,000 (for the nine months ended 30 September 2018: HK\$11,824,000). The increase was contributed by the increase in the average monthly balance of loan receivables (excluding accrued interest receivables and aggregate loss allowance on the ECL of loan receivables), which increased from HK\$149,042,000 for the nine months ended 30 September 2018 to HK\$262,311,000 for the nine months ended 30 September 2019. During the period under review, the Group granted new loans in the aggregate principal amount of HK\$90,000,000 (for the nine months ended 30 September 2018: HK\$75,000,000) to its customers and received prepayment and repayment of HK\$739,000 from its customers (for the nine months ended 30 September 2018: HK\$54,186,000).

Treasury management business

During the period under review, the Group acquired Hong Kong equities with the aggregate market value of HK\$12,245,000. For the last corresponding period, the Group acquired Hong Kong equities and Shenzhen A-Share equities with the aggregate market value of HK\$62,827,000 and RMB4,873,000 (equivalent to HK\$5,918,000) respectively.

In addition, the Group disposed Hong Kong equities and Shenzhen A-Share equities with market value of HK\$28,010,000 (for the nine months ended 30 September 2018: HK\$33,000,000) and RMB4,641,000 (equivalent to HK\$5,427,000) (for the nine months ended 30 September 2018: Nil) respectively, with a carrying amount of financial assets at fair value through profit or loss plus transaction costs of HK\$24,026,000 (for the nine months ended 30 September 2018: HK\$32,967,000) and RMB3,967,000 (equivalent to HK\$4,509,000) (for the nine months ended 30 September 2018: Nil) respectively. Adding the dividend income from securities investment of HK\$163,000 (for the nine months ended 30 September 2018: HK\$230,000), the Group's trading of financial assets at fair value through profit or loss recorded a net realised gain of HK\$5,065,000 (for the nine months ended 30 September 2018: a net realised gain of HK\$263,000). At 30 September 2019, the Group measured its equity portfolio at market prices and recorded an unrealised loss of HK\$1,337,000 (for the nine months ended 30 September 2018: an unrealised gain of HK\$25,000) arising on change in fair values of financial assets at fair value through profit or loss.

Financial services business

During the period under review, the revenue in this segment increased by 41.0% to HK\$11,672,000 (for the nine months ended 30 September 2018: HK\$8,276,000).

Commission income from securities brokerage for the reporting period increased by 33.9% to HK\$3,496,000 (for the nine months ended 30 September 2018: HK\$2,610,000).

Interest income from margin financing and IPO financing for the reporting period increased by 57.7% to HK\$2,984,000 (for the nine months ended 30 September 2018: HK\$1,892,000). The total outstanding loan of securities margin financing as at 30 September 2019 amounted to HK\$58,415,000 (as at 30 September 2018: HK\$32,596,000). No impairment loss on margin client receivables was charged during the reporting period (for the nine months ended 30 September 2018: Nil).

The handling and settlement income arising from securities business increased by 27.5% to HK\$4,587,000 (for the nine months ended 30 September 2018: HK\$3,598,000).

The asset management services income increased by 1.87 times to HK\$505,000 (for the nine months ended 30 September 2018: HK\$176,000).

On 11 March 2019, Global Mastermind Securities Limited, an indirect wholly-owned subsidiary of the Company, was granted by the Securities and Futures Commission for the licence to carry on Type 6 (Advising on corporate finance) regulated activity (the “**Advising on Corporate Finance Business**”) under the Securities and Futures Ordinance. Revenue in the sum of HK\$100,000 (for the nine months ended 30 September 2018: Nil) was generated from Advising on Corporate Finance Business during the reporting period.

OUTLOOK

The travel business environment is continuing to be challenging. The Group's profitability in travel business in Singapore is facing pressure from the rising costs of operations and stiff price driven competition. Our management team will cautiously monitor the market, adopt appropriate measures and business strategies in response to changing market conditions.

The Hong Kong securities market are still influenced by uncertain events, such as US-China trade war, Brexit and recent local political tension and social unrest. The Group will adopt a conservative investment approach towards its treasury management business in the coming quarters. The management will cautiously monitor Hong Kong equities, change the Group's equity portfolio mix from time to time and realise the equities held by the Group into cash as and when appropriate.

For the money lending business, the management continues to adopt a more cautious approach during its assessment and approval of new loans in order to mitigate its credit risk.

For the financial services business, the grant of the licence to carry on Advising on Corporate Finance Business would create enhanced value and synergy to the Group by providing with more comprehensive services to the customers which in turn increase and broaden the income stream of the Group in the future. In addition, the Group will adopt a more cautious approach to the credit control of its margin financing business.

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 30 September 2019 and up to the date of this report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

	NOTES	Three months ended 30 September		Nine months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Service income from provision of travel related services		5,774	6,900	18,595	22,512
Interest income from money lending business	3	8,300	4,413	20,439	11,824
Commission income from securities brokerage	4	949	876	3,496	2,610
Interest income from margin financing	4	1,359	1,212	2,984	1,880
Interest income from initial public offering financing		-	1	-	12
Handling and settlement income arising from securities brokerage		1,479	1,233	4,587	3,598
Asset management fee income		165	112	505	176
Advisory fee income from corporate finance		100	-	100	-
Net realised gain on securities investment	5	4,506	71	5,065	263
Net unrealised gain (loss) on securities investment	5	8,230	9,908	(1,337)	25
Other income, other gains and losses	6	1,789	1,206	(14)	3,352
Staff costs		(12,438)	(10,882)	(40,226)	(33,946)
Depreciation and amortisation expenses		(2,332)	(1,624)	(6,587)	(5,031)
Other expenses		(4,384)	(7,880)	(15,906)	(21,173)
Impairment loss on intangible assets		-	-	-	(2,000)
Impairment loss on loan receivables		-	-	(10,061)	-
Impairment loss on trade receivables		-	-	(11,507)	-
Finance costs	7	(4,547)	(212)	(10,403)	(621)
Share of profit (loss) of a joint venture		2	624	(2,063)	(488)
Profit (loss) before tax		8,952	5,958	(42,333)	(17,007)
Income tax expense	8	(842)	(437)	(294)	(1,126)
Profit (loss) for the period		8,110	5,521	(42,627)	(18,133)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

NOTE	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Other comprehensive expense for the period				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operation	(1,607)	(1,501)	(883)	(2,705)
Share of exchange difference of a joint venture	(112)	350	(78)	(284)
Other comprehensive expense for the period	(1,719)	(1,151)	(961)	(2,989)
Total comprehensive income (expense) for the period	6,391	4,370	(43,588)	(21,122)
Profit (loss) for the period attributable to owners of the Company	8,110	5,521	(42,627)	(18,133)
Total comprehensive income (expense) attributable to owners of the Company	6,391	4,370	(43,588)	(21,122)
Earnings (loss) per share (HK cents)				
Basic	10 0.19	0.13	(1.00)	(0.43)
Diluted	10 0.19	0.13	(1.00)	(0.43)

NOTES TO THE QUARTERLY FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

1. BASIS OF PREPARATION

The quarterly financial information has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The quarterly financial information does not include all the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2018 (the “**2018 Financial Statements**”).

The principal accounting policies applied in preparing this quarterly financial information are set out in note 3 to the 2018 Financial Statements, except for the adoption of the new and amendments to HKFRSs set out in note 2 below.

2. PRINCIPAL ACCOUNTING POLICIES

The amounts included in this quarterly financial information have been computed based on the accounting policies adopted by the Group which are in accordance with HKFRSs issued by the HKICPA applicable to interim periods. However, it does not contain sufficient information to constitute an interim financial report as defined in HKFRSs.

The quarterly financial information has been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair values at the end of each reporting period, as appropriate.

The accounting policies used in the quarterly financial information for the nine months ended 30 September 2019 are consistent with those followed in the preparation of 2018 Financial Statements, except as described below.

In the current period for the nine months ended 30 September 2019, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below for HKFRS 16, the application of other new and amendments to HKFRSs in the current period has had no material impact on the financial performance for the current and prior periods and/or disclosures set out in the quarterly financial information.

HKFRS 16 “Leases”

HKFRS 16 “Leases” replaces the previous standard HKAS 17 “Leases” and effective for annual periods beginning on or after 1 January 2019. The date of initial application of HKFRS 16 for the Group is 1 January 2019.

Impact on Lessee Accounting

Former operating leases

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases. For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by HKFRS 16.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 16 “Leases” *(Continued)*

Impact on Lessee Accounting *(Continued)*

Former operating leases *(Continued)*

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 16 “Leases” *(Continued)*

Impact on Lessee Accounting *(Continued)*

Former finance leases

The main difference between HKFRS 16 and HKAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. This change did not have a material effect on the Group's condensed consolidated financial statements.

Impact on Lessor Accounting

HKFRS 16 does not change substantially how a lessor accounts for leases. Under HKFRS 16, the Group continues to classify leases as operating leases under HKAS 17.

3. INTEREST INCOME FROM MONEY LENDING BUSINESS

During the nine months ended 30 September 2019, the Group generated interest income of HK\$20,439,000 (for the nine months ended 30 September 2018: HK\$11,824,000) from money lending business.

4. BROKERAGE COMMISSION AND INTEREST INCOME FROM MARGIN FINANCING

During the nine months ended 30 September 2019, the Group generated brokerage commission income of HK\$3,496,000 (for the nine months ended 30 September 2018: HK\$2,610,000) and interest income from margin financing of HK\$2,984,000 (for the nine months ended 30 September 2018: HK\$1,880,000).

5. NET GAIN ON SECURITIES INVESTMENT

Net realised gain or loss on securities investment represents the proceed from sale of financial assets at fair value through profit or loss less the carrying amount of respective financial assets measured at fair value at the end of last financial year, and the dividend income when the Group's right to receive the dividends is established. Net unrealised gain or loss represents the remaining fair value changes on the financial assets at fair value through profit or loss.

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net realised gain (loss) on financial assets at fair value through profit or loss:				
Proceeds from sale of financial assets at fair value through profit or loss	24,943	12,627	33,437	33,000
Carrying amount of financial assets at fair value through profit or loss	(20,465)	(12,639)	(28,535)	(32,967)
	<u>4,478</u>	<u>(12)</u>	<u>4,902</u>	<u>33</u>
Dividend income from securities investment	28	83	163	230
	<u>4,506</u>	<u>71</u>	<u>5,065</u>	<u>263</u>
Net unrealised gain (loss) on financial assets at fair value through profit or loss	8,230	9,908	(1,337)	25
	<u>12,736</u>	<u>9,979</u>	<u>3,728</u>	<u>288</u>

6. OTHER INCOME, OTHER GAINS AND LOSSES

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Rental income	1,256	–	3,769	–
Incentive income from ticketing system	(14)	–	1,549	–
Commercial credit card rebate	246	68	508	358
Bank interest income	58	58	129	119
Net exchange gain (loss)	147	(8)	196	344
Loss on fair value changes of investment properties	–	–	(6,400)	–
Employment credits from government grants	37	51	36	232
Others	59	69	199	101
Management and administrative income	–	968	–	3,043
Written off of property, plant and equipment	–	–	–	(845)
	<u>1,789</u>	<u>1,206</u>	<u>(14)</u>	<u>3,352</u>

7. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on short term bank borrowings	190	212	448	621
Interest on other borrowing	2,017	–	3,025	–
Interest expenses on lease liabilities	218	–	633	–
Imputed interest expense on convertible bonds	2,122	–	6,297	–
	<u>4,547</u>	<u>212</u>	<u>10,403</u>	<u>621</u>

8. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
The tax expense comprises:				
Hong Kong Profits Tax				
- current period	(842)	(437)	(1,954)	(1,466)
Deferred taxation				
- current period	-	-	1,660	340
	(842)	(437)	(294)	(1,126)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, for the nine months ended 30 September 2019, Hong Kong Profits Tax was calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

For the nine months ended 30 September 2018, Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profits. The directors of the Company considered the amount involved upon implementation of the two-tiered profit tax rates regime as insignificant to the condensed consolidated financial statements.

Singapore Corporate Income Tax is calculated at 17% in accordance with the relevant laws and regulations in Singapore for both reporting periods. No provision for Singapore Corporate Income Tax has been made as the subsidiary operating in Singapore had no assessable profit for both reporting periods.

9. INTERIM DIVIDEND

No dividend was paid, declared or proposed during the nine months ended 30 September 2019 and 2018, nor has any dividend been proposed since the end of both reporting periods.

10. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the following data:

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Earnings (loss)				
Earnings (loss) for the period attributable to owners of the Company for the purpose of basic and diluted earning (loss) per share	8,110	5,521	(42,627)	(18,133)

	Three months ended 30 September		Nine months ended 30 September	
	2019 '000 (Unaudited)	2018 '000 (Unaudited)	2019 '000 (Unaudited)	2018 '000 (Unaudited)
Number of shares				
Weighted average number of ordinary shares for the purposes of basic and diluted earning (loss) per share	4,262,867	4,262,867	4,262,867	4,262,867

For the nine months ended 30 September 2019, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds (for the nine months ended 30 September 2018: the exercise of the Company's outstanding share options) since their assumed conversion or exercise would result in a decrease in loss per share.

11. SHARE CAPITAL, SHARE PREMIUM AND RESERVES

	Attributable to owners of the Company								
	Share capital	Share premium	Capital reserve	Share options reserve	Exchange reserve	Convertible bonds equity reserve	Property revaluation reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2019 (audited)	42,629	920,537	32,589	-	(20,103)	4,108	65,547	(375,002)	670,305
Loss for the period	-	-	-	-	-	-	-	(42,627)	(42,627)
Other comprehensive expense for the period	-	-	-	-	(961)	-	-	-	(961)
Total comprehensive expense for the period	-	-	-	-	(961)	-	-	(42,627)	(43,588)
At 30 September 2019 (unaudited)	42,629	920,537	32,589	-	(21,064)	4,108	65,547	(417,629)	626,717
At 1 January 2018 (audited)	42,629	920,537	32,589	10,840	(17,353)	-	-	(321,186)	668,056
Loss for the period	-	-	-	-	-	-	-	(18,133)	(18,133)
Other comprehensive expense for the period	-	-	-	-	(2,989)	-	-	-	(2,989)
Total comprehensive expense for the period	-	-	-	-	(2,989)	-	-	(18,133)	(21,122)
Lapse of equity-settled share-based payments (note 12)	-	-	-	(10,840)	-	-	-	10,840	-
At 30 September 2018 (unaudited)	42,629	920,537	32,589	-	(20,342)	-	-	(328,479)	646,934

12. SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted an old share option scheme and terminated it pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 19 May 2011, and the Company adopted a new share options scheme at the same meeting. The purpose of both share option schemes is to enable the board of directors of the Company, at its discretion, to grant options to any eligible participants who include directors and employees as incentives or rewards for their contribution to the Group. Under both schemes, the directors of the Company may grant options to eligible participants, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Under the option scheme, a share option may be exercised in accordance with the terms of the scheme prior to the expiry of ten years from the date of acceptance. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The exercise price is determined by the directors of the Company, and is not less than the higher of (i) the closing price of the Company's shares on the date of grant; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant.

During the year ended 31 December 2017, the number of share options in respect of which options had been granted and remained outstanding under the option scheme was 468,600,000 which included 213,000,000 granted on 12 May 2017 and 255,600,000 granted on 5 September 2017, representing 6% and 6% of the shares of the Company in issue at the respective dates of grant. The above share options were vested immediately at the date of grant.

The above outstanding share options expired and lapsed during the nine months ended 30 September 2018. No share options had been exercised before the expiry dates and no share options were granted during both reporting periods.

13. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Short-term employee benefits	2,904	1,350	7,240	2,510
Post-employment benefits	18	14	54	34
	<u>2,922</u>	<u>1,364</u>	<u>7,294</u>	<u>2,544</u>

The remuneration of directors and key executives is determined by the remuneration committee having regards to the performance of individuals and market trends.

13. RELATED PARTY TRANSACTIONS (Continued)

(b) During the period, the Group entered into the following transactions with related parties:

Relationship	Nature of transaction	Three months ended 30 September		Nine months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Related companies (Note 1)	Rental income	1,256	-	3,769	-
	Secretarial fee and other office expenses	35	34	106	101
	Brokerage commission income and other service charge income	6	16	6	91
	Management and administrative income	-	968	-	3,043
	Subsidiaries of a substantial shareholder (Note 2)	745	746	2,237	746
	income and other service charge income	16	152	134	152

Note 1: Mr. Mung Hon Ting, Jackie, a close family member of Mr. Mung Kin Keung and Mr. Mung Bun Man, Alan, both of them are directors of the Company, and Mr. Mung Kin Keung have beneficial interests in the related companies.

Note 2: These companies are wholly-owned subsidiaries of Eternity Investment Limited, a company incorporated in Bermuda with limited liability and with its shares listed on the Main Board of the Stock Exchange. Eternity Investment Limited is a substantial shareholder with significant influence of the Company.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2019, the interests and short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any associated corporations, within the meaning of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long positions

(a) Ordinary shares of HK\$0.01 each of the Company

Name of Director	Capacity	Number of issued ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company (Note 2)
Mr. Mung Kin Keung (Note 1)	Interest of controlled corporation	532,000,000	12.48%
Mr. Mung Bun Man, Alan (Note 1)	Interest of controlled corporation	532,000,000	12.48%
Mr. Tse Ke Li	Beneficial owner	1,150,000	0.03%

Notes:

1. These shares were registered in the name of and were beneficially owned by Excellent Mind Investments Limited ("**Excellent Mind**"), a company is owned as to 60% by Mr. Mung Kin Keung and 40% by Mr. Mung Bun Man, Alan, both of them are executive Directors. Therefore, they are deemed to be interested in all the shares in which Excellent Mind is interested by virtue of the SFO.
2. The percentage is calculated on the basis of 4,262,867,050 shares in issue as at 30 September 2019.

Save as disclosed above, none of the Directors and chief executives of the Company nor their associates had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules as at 30 September 2019.

SHARE OPTION SCHEME

Pursuant to a special resolution passed at the annual general meeting held on 19 May 2011, a new share option scheme (the "**Option Scheme**") was adopted for the purpose of providing incentive to eligible participants who contribute to the success of the Group's operation. Unless otherwise cancelled or amended, the expiry date of the Option Scheme will be on 18 May 2021. Details of the Option Scheme are set out in note 12 of the section headed "Notes to the Quarterly Financial Information".

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO

As at 30 September 2019, the register of substantial shareholders/other persons maintained by the Company pursuant to section 336 of the SFO showed that the following shareholders, other than a Director or chief executive of the Company, had notified the Company of relevant interests in the issued share capital of the Company:

Long positions in ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares of the Company held	Interest in underlying shares of the Company	Approximate percentage of the issued ordinary share capital of the Company <i>(Note 4)</i>
Eternity Investment Limited <i>(Note 1)</i>	Held by controlled corporation	1,237,750,000	–	29.04%
Heng Tai Consumables Group Limited <i>(Note 2)</i>	Held by controlled corporation	–	695,652,173	16.32%
Excellent Mind Investments Limited <i>(Note 3)</i>	Beneficial owner	532,000,000	–	12.48%
Mr. Mung Kin Keung <i>(Note 3)</i>	Held by controlled corporation	532,000,000	–	12.48%
Mr. Mung Bun Man, Alan <i>(Note 3)</i>	Held by controlled corporation	532,000,000	–	12.48%

Notes:

1. Eternity Investment Limited ("**Eternity Investment**"), a company incorporated in Bermuda with limited liability and its issued shares are listed on the Main Board of the Stock Exchange (stock code: 764). Eternity Finance Group Limited, a wholly-owned subsidiary of Eternity Investment, is interested in 1,237,750,000 shares in the Company. Eternity Investment is deemed to be interested in such 1,237,750,000 shares by virtue of the SFO.
2. Heng Tai Finance Limited ("**Heng Tai Finance**") is deemed to be interested in 695,652,173 shares in the Company through its interest in the convertible bonds issued by the Company in an aggregate amount of HK\$80,000,000 on 13 November 2018. Heng Tai Finance Limited is a wholly-owned subsidiary of Heng Tai Consumables Group Limited ("**Heng Tai Consumables Group**"), a company incorporated in the Cayman Islands with limited liability and its issued shares are listed on the Main Board of the Stock Exchange (stock code: 197). Heng Tai Consumables Group is deemed to be interested in such 695,652,173 shares by virtue of the SFO.
3. These shares are held by Excellent Mind, which is owned as to 60% by Mr. Mung Kin Keung and 40% by Mr. Mung Bun Man, Alan, both of them are executive Directors, who are deemed to be interested in all the shares in which Excellent Mind is interested by virtue of the SFO.
4. The percentage is calculated on the basis of 4,262,867,050 shares in issue as at 30 September 2019.

Other than as disclosed above, the Company has not been notified of any interests in the Company's issued shares as at 30 September 2019 as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Save as disclosed above, as at 30 September 2019 and to the best knowledge of the Directors, there was no person had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) currently comprises three independent non-executive Directors, namely Mr. Law Kwok Ho, Kenward (as chairman), Mr. Tsai Yung Chieh, David and Mr. Fung Wai Ching, with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2019 and is of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and any other applicable laws and has been adequately disclosed.

COMPETING INTERESTS

Mr. Cheung Kwok Wai, Elton, the Chairman and executive Director, has an indirect interest in approximately 15.29% of the issued shares of and is an executive director of Eternity Investment which engages in sale of financial assets, property investment, money lending, design and sale of jewelry products, which competes with the Group’s money lending business.

Saved for the disclosed above, during the period under review, neither the Directors, the management shareholders of the Company nor their respective associates (as defined under the GEM Listing Rules) had any interests in a business which causes or may cause competition with the business of the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Code on Securities Dealings**”). The Company, having made specific enquiry of all the Directors, confirmed that all the Directors have complied with the required standard of dealings as set out in the Code on Securities Dealings for the nine months ended 30 September 2019.

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

The Company has not redeemed any of its shares during the nine months ended 30 September 2019.

Neither the Company nor any of its subsidiaries purchased or sold any of the Company’s listed securities during the period under review.

On behalf of the Board

Cheung Kwok Wai, Elton

Chairman and Executive Director

Hong Kong, 13 November 2019

As at the date of this report, the Board comprises Mr. Cheung Kwok Wai, Elton, Mr. Mung Kin Keung, Mr. Mung Bun Man, Alan and Mr. Tse Ke Li as executive Directors, and Mr. Law Kwok Ho, Kenward, Mr. Tsai Yung Chieh, David and Mr. Fung Wai Ching as independent non-executive Directors.