



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

FIRST QUARTERLY REPORT  
**2021**

\*For identification purposes only

## **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 and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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 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 report is accurate and complete in all material respects and not misleading and deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2021

		<b>Three months ended 31 March</b>	
		<b>2021</b>	2020
<i>Notes</i>		<b>HK\$'000</b> <b>(Unaudited)</b>	<i>HK\$'000</i> <i>(Unaudited)</i>
	Service income from provision of travel-related services	<b>309</b>	2,342
	Interest income from money lending business	<b>7,313</b>	8,673
	Commission income from securities brokerage	<b>880</b>	699
	Interest income from margin financing	<b>1,500</b>	1,708
	Interest income from initial public offering financing	<b>35</b>	–
	Handling and settlement income arising from securities brokerage	<b>1,660</b>	1,246
	Asset management fee income	<b>30</b>	27
	Advisory fee income from corporate finance	<b>180</b>	–
	Net realised gain on securities investment	<b>1,357</b>	–
	Net unrealised gain (loss) on securities investment	<b>38,119</b>	(11,461)
	Other income, other gains and losses	<b>3,051</b>	3,607
	Staff costs	<b>(7,734)</b>	(13,336)
	Depreciation expenses	<b>(1,935)</b>	(2,299)
	Provision for expected credit losses on loan receivables	<b>(716)</b>	–
	Other expenses	<b>(6,536)</b>	(4,003)
	Finance costs	<b>(3,504)</b>	(4,466)
	Profit (loss) before tax	<b>34,009</b>	(17,263)
	Income tax credit (expense)	<b>92</b>	(565)
	<b>Profit (loss) for the period</b>	<b>34,101</b>	(17,828)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Continued)

For the three months ended 31 March 2021

		<b>Three months ended 31 March</b>	
<i>Note</i>		<b>2021 HK\$'000 (Unaudited)</b>	2020 HK\$'000 (Unaudited)
<b>Other comprehensive income (expense) for the period</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		138	(4,846)
Share of exchange difference of a joint venture		—	(701)
<b>Other comprehensive income (expense) for the period</b>		<b>138</b>	<b>(5,547)</b>
<b>Total comprehensive income (expense) for the period</b>		<b>34,239</b>	<b>(23,375)</b>
Profit (loss) for the period attributable to owners of the Company		<b>34,101</b>	<b>(17,828)</b>
Total comprehensive income (expense) for the period attributable to owners of the Company		<b>34,239</b>	<b>(23,375)</b>
Earnings (loss) per share (HK cent)			
Basic	10	<b>0.80</b>	(0.42)
Diluted	10	<b>0.80</b>	(0.42)

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

*For the three months ended 31 March 2021*

### 1. Basis of preparation

The unaudited condensed consolidated financial information for the three months ended 31 March 2021 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 “**GEM Listing Rules**”). The unaudited condensed consolidated 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 (“**HKICPA**”) and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020 (the “**2020 Financial Statements**”).

The principal accounting policies applied in preparing this unaudited condensed consolidated financial information are set out in note 3 to the 2020 Financial Statements, except for the adoption of the amendments to HKFRSs set out in note 2 below.

## **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION** *(Continued)*

*For the three months ended 31 March 2021*

### **2. Principal accounting policies**

The amounts included in this unaudited condensed consolidated 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 unaudited condensed consolidated financial information has been prepared under the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as appropriate.

The accounting policies used in the unaudited condensed consolidated financial information for the three months ended 31 March 2021 are consistent with those followed in the preparation of the 2020 Financial Statements, except as described below.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

*For the three months ended 31 March 2021*

### **2. Principal accounting policies *(Continued)***

In the current period for the three months ended 31 March 2021, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's unaudited condensed consolidated financial information:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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The application of the 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 unaudited condensed consolidated financial information.

### **3. Interest income from money lending business**

During the three months ended 31 March 2021, the Group generated income of HK\$7,313,000 (for the three months ended 31 March 2020: HK\$8,673,000) from money lending business.

### **4. Brokerage commission income and interest income from margin financing**

During the three months ended 31 March 2021, the Group generated brokerage commission income of HK\$880,000 (for the three months ended 31 March 2020: HK\$699,000) and interest income from margin financing of HK\$1,500,000 (for the three months ended 31 March 2020: HK\$1,708,000).

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION** *(Continued)*

*For the three months ended 31 March 2021*

**5. Net gain (loss) on securities investment**

Net realised gain or loss on securities investment represents the proceeds from sale of financial assets at fair value through profit or loss less the carrying amounts of respective financial assets measured at fair value at the end of last financial period, and the dividend income is recognised 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.

	<b>Three months ended 31 March</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net realised gain on financial assets at fair value through profit or loss:		
Proceeds from sale of financial assets at fair value through profit or loss	<b>7,039</b>	–
Carrying amount of financial assets at fair value through profit or loss	<b>(5,682)</b>	–
	<b>1,357</b>	–
Net unrealised gain (loss) on financial assets at fair value through profit or loss	<b>38,119</b>	(11,461)
	<b>39,476</b>	(11,461)



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

For the three months ended 31 March 2021

### 6. Other income, other gains and losses

	<b>Three months ended 31 March</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Government grants*		
– Jobs Support Scheme from the Singapore government	<b>1,374</b>	1,653
– Mandated rental relief from the Singapore government	<b>63</b>	–
– Wage Credit Scheme from the Singapore government	<b>33</b>	14
Rental income from related parties <i>(note 14(b))</i>	<b>1,256</b>	1,256
Net exchange gain	<b>88</b>	354
Bank interest income	<b>–</b>	180
Interest income from deposit for a life insurance policy	<b>–</b>	35
Commercial credit card rebate	<b>–</b>	3
Others	<b>237</b>	112
	<b>3,051</b>	3,607

\* The conditions of all those government grants have been fulfilled and the Group has received the government grants already.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION** *(Continued)*

*For the three months ended 31 March 2021*

**7. Other expenses**

	<b>Three months ended 31 March</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Legal and professional fees	<b>2,847</b>	272
Handling fee and commission arising from brokerage business	<b>1,783</b>	1,446
Telecommunication expenses	<b>260</b>	261
Bank charges	<b>132</b>	159
Repair and maintenance expenses	<b>87</b>	171
Travelling expenses	<b>23</b>	235
Selling expenses	<b>6</b>	12
Rental expenses	<b>5</b>	172
Premium and other charges on a life insurance policy	-	73
Others	<b>1,393</b>	1,202
	<b>6,536</b>	4,003

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

For the three months ended 31 March 2021

### 8. Finance costs

	<b>Three months ended 31 March</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Interest on other borrowing	<b>1,972</b>	1,995
Interest on convertible bonds	<b>1,184</b>	2,131
Interest on short term bank borrowings	<b>314</b>	180
Interest on lease liabilities	<b>34</b>	160
	<b>3,504</b>	4,466

### 9. Income tax (credit) expense

	<b>Three months ended 31 March</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
The tax (credit) charge comprises:		
Hong Kong Profits Tax – current period	<b>26</b>	565
Deferred tax – current period	<b>(118)</b>	–
	<b>(92)</b>	565

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

*For the three months ended 31 March 2021*

### **9. Income tax (credit) expense *(Continued)***

Hong Kong Profits Tax is 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 both periods.

At 31 March 2021, the Group has taxable temporary differences of HK\$38,119,000 arising from the net unrealised gain on financial assets at fair value through profit or loss (for the three months ended 31 March 2020: net unrealised loss of HK\$11,461,000). No deferred tax liability has been recognised in relation to such taxable temporary differences as the relevant subsidiary has unused tax losses available for offset against the taxable temporary differences. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

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

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

For the three months ended 31 March 2021

### 10. Earnings (loss) per share

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

	<b>Three months ended 31 March</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Earnings (loss)</b>		
Earnings (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	<b>34,101</b>	(17,828)
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	<b>210</b>	–
	<hr/>	<hr/>
Earnings (loss) for the period attributable to owners of the Company for the purpose of diluted earnings (loss) per share	<b>34,311</b>	(17,828)
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**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION** *(Continued)*

*For the three months ended 31 March 2021*

**10. Earnings (loss) per share** *(Continued)*

	<b>Three months ended 31 March</b>	
	<b>2021</b>	2020
	<b>'000</b>	'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<b>4,262,867</b>	4,262,867
Effect of dilutive potential ordinary shares arising from assumed conversion of convertible bonds	<b>10,667</b>	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<b>4,273,534</b>	4,262,867

For the three months ended 31 March 2020, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds as at 31 March 2020 since their assumed conversion would result in a decrease in loss per share.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the three months ended 31 March 2021

### 11. Interim dividend

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the three months ended 31 March 2021 and 2020 nor has any dividend been proposed since the end of both reporting periods.

### 12. Share capital, share premium and reserves

	Attributable to owners of the Company							Total
	Share capital	Share premium	Capital reserve	Exchange reserve	Convertible bonds equity reserve	Property revaluation reserve	Accumulated losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 (audited)	42,629	920,537	32,589	(19,111)	-	65,547	(692,571)	349,620
Profit for the period	-	-	-	-	-	-	34,101	34,101
Other comprehensive income for the period	-	-	-	138	-	-	-	138
Total comprehensive income for the period	-	-	-	138	-	-	34,101	34,239
At 31 March 2021 (unaudited)	42,629	920,537	32,589	(18,973)	-	65,547	(658,470)	383,859
At 1 January 2020 (audited)	42,629	920,537	32,589	(18,921)	4,108	65,547	(429,595)	616,894
Loss for the period	-	-	-	-	-	-	(17,828)	(17,828)
Other comprehensive expense for the period	-	-	-	(5,547)	-	-	-	(5,547)
Total comprehensive expense for the period	-	-	-	(5,547)	-	-	(17,828)	(23,375)
At 31 March 2020 (unaudited)	42,629	920,537	32,589	(24,468)	4,108	65,547	(447,423)	593,519

*Note:* The capital reserve represented the credit arising from the capital reduction effected by the Company during the year ended 31 December 2009.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

*For the three months ended 31 March 2021*

### 13. 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 (the “**Option Scheme**”) at the same meeting. The purpose of the Option Scheme 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 the Option Scheme, 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 Option 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 Option 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.

No share options were granted nor outstanding during the three months ended 31 March 2021 and 2020.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

For the three months ended 31 March 2021

### 14. 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:

	<b>Three months ended 31 March</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Short-term employee benefits	<b>2,828</b>	2,364
Post-employment benefits	<b>14</b>	18
	<b>2,842</b>	2,382

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

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION** (Continued)

For the three months ended 31 March 2021

**14. 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 31 March	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Related companies (note 1)	Rental income	1,256	1,256
	Brokerage commission income and other service charge income	23	2
	Secretarial fee and other office expenses	-	39
Subsidiaries of a substantial shareholder of the Company (note 2)	Lease payments	746	746
	Advisory fee income from corporate finance	100	-
	Brokerage commission income and other service charge income	13	13

Notes:

- Mr. Mung Hon Ting, Jackie ("**Mr. Jackie Mung**"), a close family member of Mr. Mung Kin Keung ("**Mr. KK Mung**") and Mr. Mung Bun Man, Alan ("**Mr. Alan Mung**"), both of whom are directors and shareholders of the Company.

For the three months ended 31 March 2021, Mr. Alan Mung and Mr. Jackie Mung have the beneficial interests in the related companies. For the three months ended 31 March 2020, Mr. KK Mung and Mr. Jackie Mung had the beneficial interests in the related companies.

- 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 over the Company.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

*For the three months ended 31 March 2021*

### 14. Related party transactions *(Continued)*

- (c) During the three months ended 31 March 2021, the Group entered into the following transaction with a related party, but not yet completed:

On 26 March 2021, Harvest Well International Limited ("**Harvest Well**"), a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Universal Advisory Pte Ltd ("**Universal Advisory**"), a company wholly-owned by Mr. Fung Chung Yuen Steve who is a director and the chief executive officer of Safe2Travel Pte Ltd ("**Safe2Travel**"), a wholly-owned subsidiary of the Company and the principal operating company of the travel business of the Group, pursuant to which Harvest Well agreed to sell and Universal Advisory agreed to purchase 49% of the issued share capital of Safe2Travel (the "**Disposal**").

The consideration for the Disposal is based on the audited net assets of Safe2Travel as at 31 December 2020. Based on the unaudited management accounts of Safe2Travel and on the basis of the unaudited net assets of the Target Company as at 31 December 2020 of Singapore Dollars ("**SG\$**") 220,000 (equivalent to approximately HK\$1,276,000), the consideration is currently estimated to be SG\$108,000 (equivalent to approximately HK\$626,000). The consideration shall be paid by Universal Advisory to Harvest Well in cash within ten business days after finalising the audited financial statements of Safe2Travel for the year ended 31 December 2020 (the "**2020 Audited Accounts**"). Completion is subject to the finalisation of the 2020 Audited Accounts. As at the date of this report, the Disposal has not been completed.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION** *(Continued)*

*For the three months ended 31 March 2021*

**14. Related party transactions** *(Continued)*

(c) *(Continued)*

Universal Advisory is wholly-owned by Mr. Fung Chung Yuen Steve who is a director and the chief executive officer of Safe2Travel (being a subsidiary of the Company), and is therefore a connected person of the Company at the subsidiary level. The Disposal constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. Pursuant to Rule 20.99 of the GEM Listing Rules, as the Disposal was approved by the board of directors of the Company and confirmed by the independent non-executive Directors as being fair and reasonable, and the terms of the Disposal were confirmed by the independent non-executive Directors as being on normal commercial terms and in the interests of the Company and the shareholders as a whole, the Disposal is only subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under the GEM Listing Rules.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

*For the three months ended 31 March 2021*

### **15. Events after the reporting period**

- (a) With effect from 14 April 2021, every ten existing ordinary shares of HK\$0.01 each in the issued share capital of the Company are consolidated into one ordinary share of HK\$0.10 each, pursuant to the resolution passed by the shareholders at the extraordinary general meeting of the Company held on 12 April 2021.
  
- (b) On 7 May 2021, the Company received the conversion notices from Heng Tai Finance Limited to exercise its conversion rights to convert the outstanding principal amount of the convertible bonds of HK\$60,000,000 into 84,507,042 ordinary shares of HK\$0.10 each of the Company at an adjusted conversion price of HK\$0.71 per ordinary share. Pursuant to the terms of the convertible bonds, the 84,507,042 ordinary shares of HK\$0.10 each of the Company are expected to be allotted and issued on or before 12 May 2021.

## MANAGEMENT DISCUSSION & ANALYSIS

### Financial Review

Global Mastermind Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) recorded a profit attributable to owners of the Company of HK\$34,101,000 for the three months ended 31 March 2021 (2020: loss attributable to owners of the Company of HK\$17,828,000). The turnaround from loss to profit attributable to owners of the Company was due to the recognition of a HK\$38,119,000 net unrealised gain on securities investment, whereas a HK\$11,461,000 net unrealised loss on securities investment was recognised in the corresponding period last year.

### *Revenue and profitability*

An analysis of the Group’s revenue for the three months ended 31 March 2021 and 2020 was as follows:

	<b>Three months ended 31 March</b>	
	<b>2021</b>	2020
	<b>HK\$’000</b>	HK\$’000
Service income from provision of travel-related services	<b>309</b>	2,342
Interest income from money lending business	<b>7,313</b>	8,673
Net realised gain on securities investment	<b>1,357</b>	–
Revenue derived from financial services business	<b>4,285</b>	3,680
	<b>13,264</b>	14,695

## MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

### Financial Review *(Continued)*

#### **Revenue and profitability** *(Continued)*

For the three months ended 31 March 2021, the revenue of the Group amounted to HK\$13,264,000 (2020: HK\$14,695,000), comprised of (i) service income from provision of travel-related services of HK\$309,000 (2020: HK\$2,342,000), (ii) interest income from money lending business of HK\$7,313,000 (2020: HK\$8,673,000), (iii) net realised gain on securities investment of HK\$1,357,000 (2020: Nil), and (iv) revenue derived from financial services business of HK\$4,285,000 (2020: HK\$3,680,000). Revenue derived from financial services business includes 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 advisory fee income from corporate finance. The Group reported a decrease of 10% in its revenue for the three months ended 31 March 2021 compared to HK\$14,695,000 for the three months ended 31 March 2020. The decrease was mainly attributable to (i) a HK\$2,033,000 decrease in service income from provision of travel-related services, and (ii) a HK\$1,360,000 decrease in interest income from money lending business. However, these decreases were partially offset by (i) the recognition of the net realised gain of HK\$1,357,000 on securities investment, and (ii) a HK\$605,000 increase in revenue derived from financial services business.

#### **Other income, other gains and losses**

Other income, other gains and losses for the three months ended 31 March 2021 amounted to a net income of HK\$3,051,000, representing a decrease of 15% compared to the net income of HK\$3,607,000 for the three months ended 31 March 2020. The decrease was due to (i) a HK\$216,000 decrease in government grants in respect of the COVID-19 pandemic-related subsidies, and (ii) a HK\$266,000 decrease in net exchange gain.

## MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

### Financial Review *(Continued)*

#### ***Staff costs, depreciation expenses, and other expenses***

For the three months ended 31 March 2021, staff costs amounted to HK\$7,734,000 (2020: HK\$13,336,000). Depreciation expenses amounted to HK\$1,935,000 (2020: HK\$2,299,000). Other expenses amounted to HK\$6,536,000 (2020: HK\$4,003,000).

The decrease in staff costs was mainly attributable to the Group's travel operations in Singapore practising 10 to 15 days of unpaid leave per month in the three months ended 31 March 2021. On the contrary, five days of unpaid leave per month had practised since February 2020. The increase in other expenses was mainly due to the increase in legal and professional fees resulted from the incidents of Solution Apex Investments Limited, a then subsidiary of the Company, relating to the three unauthorised purported investments and unexplained cash withdrawals as disclosed in the Company's announcement dated 29 December 2020.

#### ***Finance costs***

For the three months ended 31 March 2021, finance costs amounted to HK\$3,504,000 (2020: HK\$4,466,000), out of which (i) HK\$1,972,000 was related to the interest expense on other borrowing (2020: HK\$1,995,000), (ii) HK\$1,184,000 was related to the interest expense on convertible bonds (2020: HK\$2,131,000), (iii) HK\$34,000 was related to the interest expense on lease liabilities (2020: HK\$160,000), and (iv) HK\$314,000 was related to the interest expense on short term bank borrowings (2020: HK\$180,000). The decrease was due to the partial redemption of HK\$20,000,000 of the principal amount of the HK\$80,000,000 convertible bonds issued in 2018 in November 2020.



## MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

### Financial Review *(Continued)*

#### *Finance costs (Continued)*

During the three months ended 31 March 2021, the Company reached an agreement with a bank in repaying the Group's outstanding bank borrowings and the related interest payable, involving the repayment of (i) 10% of the outstanding balance of SG\$504,000 (equivalent to HK\$2,961,000) in January 2021, (ii) SG\$214,000 (equivalent to HK\$1,253,000) in February 2021, and (iii) the remaining balance of SG\$3,487,000 (equivalent to HK\$20,147,000) together with the accrued and unpaid interest thereon by 17 equal monthly instalments commencing in March 2021. The repayment is secured by a first legal mortgage over the Group's investment properties in Hong Kong with a carrying amount of HK\$163,300,000 as at 31 December 2020 and the assignment of rental proceeds from the Group's investment properties to the bank.

### Business Review

#### *Travel business*

During the three months ended 31 March 2021, the Group's travel business generated revenue of HK\$309,000 (2020: HK\$2,342,000), an 87% decrease as compared to the corresponding period last year. The decrease in revenue generated from the travel business for the three months ended 31 March 2021 was due to the persistent seriousness of the COVID-19 pandemic.

## MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

### Business Review *(Continued)*

#### ***Money lending business***

During the three months ended 31 March 2021, the Group's money lending business generated interest income on loans of HK\$7,313,000 (2020: HK\$8,673,000), a 16% decrease compared to the corresponding period last year. The decrease was contributed by the change in interest income recognition method of two loans classified as credit-impaired. Interest income for these two loans is calculated based on the effective interest rate on the net carrying amounts of the two loans (after deducting the related accumulated loss allowance of expected credit losses), rather than the gross carrying amounts. During the three months ended 31 March 2021, the Group did not grant any new loan (2020: Nil) to and received repayment of HK\$280,000 (2020: HK\$260,000) from its customers. As at 31 March 2021, the Group's loan receivables together with accrued interest receivables (before accumulated loss allowance of expected credit losses) amounted to HK\$331,912,000 (31 December 2020: HK\$331,366,000).

During the year ended 31 December 2020, a customer failed to repay the outstanding principal amount of the loan together with the accrued and unpaid interest thereon pursuant to the loan agreement. The Group has commenced legal actions against the customer to seek to recover the outstanding principal amount together with the accrued and unpaid interest thereon. In addition, two customers did not pay the interest on loans under the loan agreements to the Group during the year ended 31 December 2020. The Group has taken legal action against one of the customers to take possession of the security for recovering the outstanding principal amount of the loan together with the accrued and unpaid interest thereon. During the three months ended 31 March 2021, such legal actions were still under process.

## MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

### **Business Review** *(Continued)*

#### ***Money lending business*** *(Continued)*

During the three months ended 31 March 2021, a provision for expected credit losses on loan receivables of HK\$716,000 (2020: Nil) was recognised for the interest income on the two loans classified as credit-impaired. As at 31 March 2021, the accumulated loss allowance of expected credit losses was HK\$86,102,000 (31 December 2020: HK\$85,386,000).

#### ***Treasury management business***

During the three months ended 31 March 2021, the Group did not acquire any securities investment (2020: Nil). The Group made a trading gain of HK\$1,357,000 (2020: Nil) by disposing of a securities investment at a consideration of HK\$7,039,000 (2020: Nil) on the open market, with a carrying amount plus transaction costs of HK\$5,682,000 (2020: Nil). As at 31 March 2021, the Group remeasured its securities investment at fair value and recorded a net unrealised gain of HK\$38,119,000 arising on changes in fair values of securities investment (2020: net unrealised loss of HK\$11,461,000).

#### ***Financial services business***

During the three months ended 31 March 2021, the revenue of the Group's financial services business increased by 16% to HK\$4,285,000 (2020: HK\$3,680,000).

Commission income from securities brokerage for the three months ended 31 March 2021 increased by 26% to HK\$880,000 (2020: HK\$699,000). This increase was due to increased transaction volumes of securities dealings by the Group's customers resulted from the Hong Kong equity market recovery since the second quarter of 2020.

## MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

### **Business Review** *(Continued)*

#### **Financial services business** *(Continued)*

Interest income from margin financing for the three months ended 31 March 2021 decreased by 12% to HK\$1,500,000 (2020: HK\$1,708,000) as there was a decrease in the Group's securities margin financing business. The total outstanding loan of securities margin financing as at 31 March 2021 amounted to HK\$62,415,000 (31 March 2020: HK\$69,707,000). Having performed an impairment assessment, the Directors concluded that no provision for expected credit losses on margin clients' receivables was required for the three months ended 31 March 2021 (2020: Nil).

Interest income from IPO financing for the three months ended 31 March 2021 increased by 100% to HK\$35,000 (2020: Nil) as certain customers of the Group increased their IPO shares subscription activities.

The handling and settlement income arising from securities brokerage for the three months ended 31 March 2021 increased by 33% to HK\$1,660,000 (2020: HK\$1,246,000) as there was an increase in the transaction volumes of securities dealings by the Group's customers.

The asset management fee income for the three months ended 31 March 2021 increased by 11% to HK\$30,000 (2020: HK\$27,000). The increase was due to an increase in the assets under management by the Group.

The advisory fee income from corporate finance for the three months ended 31 March 2021 increased by 100% to HK\$180,000 (2020: Nil) as no financial advisory services works were completed in the three months ended 31 March 2020.

## MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

### Formation of a Joint Venture

On 17 March 2021, the Group entered into a joint venture agreement with Le The Limited (“**Le The**”), a company incorporated in Hong Kong with limited liability and the beneficial owners of which are third parties independent of the Company’s connected persons (as defined in the GEM Listing Rules), pursuant to which the Group and Le The agreed to form a joint venture company which is owned as to 51% by the Group and as to 49% by Le The. The joint venture company shall be principally engaged in the promotion, distribution, and sale of the products under the brand name of “Hocha” or “好茶養生” in the Greater China and Southeast Asia regions.

Upon the signing of the joint venture agreement, the Group paid HK\$2,000,000 to Le The. Under the joint venture agreement, Le The shall authorise the rights of use of the brand name “Hocha” or “好茶養生”, and provide its know-how and management service for the operation of the joint venture company for an initial period of three years, whereas the Group shall be responsible for procuring other potential investors for investing in the joint venture company subject to the terms as the parties shall agree. The Group and Le The shall have no obligations for any capital commitment on the joint venture company.

Please refer to the Company’s announcement dated 17 March 2021 for more details.

As the joint venture company is in the process of incorporation, the joint venture company has not commenced business.

## MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

### Disposal of 49% interest in the issued share capital of Safe2Travel Pte Ltd (“Safe2Travel”)

On 26 March 2021, the Group entered into a sale and purchase agreement with Universal Advisory Pte Ltd (“**Universal Advisory**”), a company incorporated in Singapore with limited liability and wholly owned by Mr. Fung Chung Yuen Steve (“**Mr. Fung**”) who is a director and the chief executive officer of Safe2Travel, which is the principal operating company of the travel business of the Group. Pursuant to the sale and purchase agreement, the Group agreed to sell and Universal Advisory agreed to purchase 49% of the issued share capital of Safe2Travel (the “**Disposal**”).

The consideration for the Disposal, which is equivalent to 49% of the net assets of Safe2Travel, shall be payable by Universal Advisory to the Group in cash within ten business days after finalising the audited accounts of Safe2Travel for the year ended 31 December 2020. Based on the unaudited management accounts of Safe2Travel provided by its management and on the basis of the unaudited net assets of Safe2Travel as at 31 December 2020 of SG\$220,000 (equivalent to HK\$1,276,000), the consideration for the Disposal is currently estimated to be SG\$108,000 (equivalent to HK\$626,000). Completion is subject to the finalisation of the audited accounts of Safe2Travel for the year ended 31 December 2020.

The Directors are of the view that the Disposal can benefit the Group on the following aspects, namely: (i) to reduce the Group’s exposure on further loss and further capital requirements of Safe2Travel, and (ii) to provide incentive to Mr. Fung, being the key management person of the Group’s travel business, through the joint equity holding with him as a matter of alignment of his economic benefit with the future growth and development of the travel business of the Group.

## MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

### Disposal of 49% interest in the issued share capital of Safe2Travel Pte Ltd (“Safe2Travel”) *(Continued)*

Universal Advisory is wholly owned by Mr. Fung who is a director and the chief executive officer of Safe2Travel (being a subsidiary of the Company), and is therefore a connected person of the Company at the subsidiary level. The Disposal constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. The Disposal has complied with the connected transaction requirements in Chapter 20 of the GEM Listing Rules.

Please refer to the Company’s announcement dated 26 March 2021 for more details.

As at the date of this report, the Disposal has not yet completed.

### Outlook

In early 2021, the rollout of vaccination was expected to allow lockdown measures to be gradually relaxed or lifted, and the global economy was forecast to rebound in 2021. However, the recently discovered new COVID-19 variants have forced many countries to introduce tighter travel restrictions. The Directors expect the Group’s travel business will not improve until the fourth quarter of 2021.

In response to the new COVID-19 variants, central banks are likely to inject liquidity into markets again. The outlook of the Hong Kong equity market remains positive. The Directors will closely monitor and adjust the Group’s securities investment from time to time and realise the securities investment into cash as and when appropriate in 2021.

## MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

### Outlook *(Continued)*

As the new COVID-19 variants increase stress on the global economy, the Directors will continue to closely monitor the repayment and financial condition of the Group's money lending customers in 2021 to ensure speedy actions on any early signs of loan recovery issues. As a matter of prudent measure, the Directors intend to maintain the size rather than to expand the Group's loan portfolio further in 2021.

The Directors expect the performance of the Group's financial services business will improve in 2021 compared to 2020, as more and more US-listed Chinese companies are expected to apply for secondary listings in Hong Kong, which has a positive impact on Hong Kong's securities industries in the long run.

For the remainder of 2021, the Directors will be cautious and watchful over the development of the COVID-19 pandemic. The Directors commit to lead the Group to weather the challenges and continue to monitor the business environment cautiously and strengthen the Group's business foundation by focusing on its existing businesses. In addition to focusing on the Group's existing businesses, the Directors will continue to cautiously identify suitable investment opportunities for the Group to diversify its businesses and broaden its revenue.

### Events after the Reporting Period

- (a) With effect from 14 April 2021, every ten existing ordinary shares of HK\$0.01 each in the issued share capital of the Company are consolidated into one ordinary share of HK\$0.10 each, pursuant to the resolution passed by the shareholders at the extraordinary general meeting of the Company held on 12 April 2021.
- (b) On 7 May 2021, the Company received the conversion notices from Heng Tai Finance Limited to exercise its conversion rights to convert the outstanding principal amount of the convertible bonds of HK\$60,000,000 into 84,507,042 ordinary shares of HK\$0.10 each of the Company at an adjusted conversion price of HK\$0.71 per ordinary share. Pursuant to the terms of the convertible bonds, the 84,507,042 ordinary shares of HK\$0.10 each of the Company are expected to be allotted and issued on or before 12 May 2021.



## ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES

### Dividends

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2021.

### Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 March 2021, the interests of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company, as recorded in the register required to be kept by the Company under section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

#### *Long positions – ordinary share of HK\$0.01 each of the Company*

Name of Director	Capacity	Number of ordinary shares of the Company held	Approximate percentage of the issued share capital of the Company
Mr. Mung Kin Keung <i>(Note)</i>	Interest of controlled corporation	532,000,000	12.48%
Mr. Mung Bun Man, Alan <i>(Note)</i>	Interest of controlled corporation	532,000,000	12.48%

*Note:*

These ordinary shares are 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.

Other than as disclosed above, none of the Directors and the chief executive of the Company had an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations as at 31 March 2021.

## ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES *(Continued)*

### Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 31 March 2021, the register of substantial shareholders kept by the Company pursuant to section 336 of the SFO showed that, other than the interests disclosed above in respect of the Directors and the chief executive of the Company, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

#### *Long positions*

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

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of ordinary shares of the Company held</b>	<b>Approximate Percentage of the issued share capital of the Company</b>
Eternity Investment Limited (" <b>Eternity</b> ") <i>(Note)</i>	Interest of controlled corporation	1,269,250,000	29.77%
Excellent Mind	Beneficial owner	532,000,000	12.48%

*Note:*

Eternity Finance Group Limited, a wholly-owned subsidiary of Eternity, is interested in 1,269,250,000 ordinary shares of the Company. Eternity is deemed to be interested in such 1,269,250,000 ordinary shares by virtue of the SFO.

## ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES *(Continued)*

### Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company *(Continued)*

#### *Long positions (Continued)*

*(b) Convertible bonds of the Company*

Name of holder	Capacity	Amount of convertible bonds	Number of underlying shares
Heng Tai Finance Limited <i>(Note 1)</i>	Beneficial owner	HK\$60,000,000	845,070,422
Heng Tai Consumables Group Limited <i>(Note 2)</i>	Interest of controlled corporation	HK\$60,000,000	845,070,422

*Notes:*

1. On 12 November 2020, the Company issued the convertible bonds in an aggregate principal amount of HK\$60,000,000 to Heng Tai Finance Limited. During the conversion period as specified in the instrument, Heng Tai Finance Limited has the right to convert the convertible bonds into ordinary shares of HK\$0.01 each at an initial conversion price of HK\$0.071 per ordinary share. Upon the full conversion of the convertible bonds, Heng Tai Finance Limited will hold 845,070,422 ordinary shares, representing 16.54% of the enlarged issued share capital of the Company.
2. Heng Tai Finance Limited is a wholly-owned subsidiary of Heng Tai Consumables Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 197). Heng Tai Consumables Group Limited is deemed to be interested in such 845,070,422 underlying shares by virtue of the SFO.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 31 March 2021.

## **ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES** *(Continued)*

### **Disclosure Pursuant to Rule 17.22 of the GEM Listing Rules**

As at 31 March 2021, the outstanding principal amount of the loan made by the Group to Mr. Yuen Hoi Po, an independent third party customer, amounted to HK\$62,247,000, which exceeds 8% under the assets ratio defined under Rule 19.07(1) of the GEM Listing Rules. The loan is interest-bearing at 9.00% per annum, unsecured, and repayable in one lump sum on 10 November 2022. The loan granted to Mr. Yuen Hoi Po was in the ordinary course of the Group's money lending business. Details of the grant of the loan were disclosed in the Company's announcements dated 28 November 2018 and 11 November 2020.

### **Competing Interests**

- (a) Mr. Cheung Kwok Wai, Elton, the Chairman of the Board and an executive Director, has an indirect interest of 15.29% in the issued share of and is an executive director of Eternity. Eternity and its subsidiaries engage in sale of financial assets, property investment, money lending, and design and sale of jewelry products, which may compete or is likely to compete with the Group's money lending and treasury management businesses.
- (b) Mr. Cheung Kwok Wai, Elton is the vice-chairman of the board of directors and an executive director of China Healthwise Holdings Limited, a company listed on the Main board of the Stock Exchange (stock code: 348). China Healthwise Holdings Limited and its subsidiaries engage in sales of Chinese health products, money lending business, and investment in financial instruments, which may compete or is likely to compete with the Group's treasury management and money lending businesses.

## **ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES** *(Continued)*

### **Purchase, Redemption or Sale of the Company's Listed Securities**

During the three months ended 31 March 2021, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

### **Review of Financial Information**

The unaudited condensed consolidated financial information for the three months ended 31 March 2021 and this report of the Company have been reviewed by the Audit Committee of the Board, which was of the opinion that the preparation of such financial information and report complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and adequate disclosures have been made.

### **Acknowledgement**

On behalf of the Board, I would like to express my gratitude and appreciation to my fellow Directors, the management and staff for their dedication, loyalty and contribution. In addition, I would like to thank our shareholders for their continuous support.

On behalf of the Board

### **Cheung Kwok Wai, Elton**

*Chairman and Executive Director*

Hong Kong, 10 May 2021

*As at the date of this report, the Board comprises Mr. Cheung Kwok Wai, Elton, Mr. Mung Kin Keung and Mr. Mung Bun Man, Alan as executive Directors; and Mr. Law Kwok Ho, Kenward, Mr. Fung Wai Ching and Mr. Lai Hok Lim as independent non-executive Directors.*