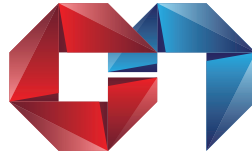


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GLOBAL MASTERMIND
環球大通

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)

**SUPPLEMENTAL ANNOUNCEMENT
ON THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

Reference is made to the annual report (the “**Annual Report**”) of Global Mastermind Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2020 published on 29 March 2021. Unless otherwise defined herein, terms used in this announcement shall have the same meanings as those defined in the Annual Report.

In addition to the information disclosed in the section headed “BUSINESS REVIEW” under “Management Discussion and Analysis” on pages 9 to 10 of the Annual Report relating to the Group’s money lending business, the Board would like to provide the following additional information in relation to loan receivables, accumulated loss allowance of expected credit losses (“**ECL**”) and impairment loss on loan receivables as at 31 December 2020.

* *For identification purposes only*

Set out below is an analysis of loan receivables, accumulated loss allowance of ECL and impairment loss on loan receivables as at 31 December 2020.

Name of customer	Date of the loan agreement	Principal amount of the loan (in HK\$'000)	Loan receivables at 31.12.2020 (in HK\$'000)	Accrued interest receivables at 31.12.2020 (in HK\$'000)	Accumulated loss allowance of ECL at 01.01.2020 (in HK\$'000)	Impairment loss recognised for the year ended 31.12.2020 (in HK\$'000)	Accumulated loss allowance of ECL at 31.12.2020 (in HK\$'000)	Total loan and accrued interest receivables (net of accumulated loss allowance of ECL) at 31.12.2020 (in HK\$'000)	Overdue payments as of 31.12.2020 (in HK\$'000)
								146,580	31.12.2020
Stage 1 (initial recognition)									
Four customers (Note: 1)	N/A	156,000	151,400	1,979	(2,967)	(3,832)	(6,799)	146,580	Nil
		<u>156,000</u>	<u>151,400</u>	<u>1,979</u>	<u>(2,967)</u>	<u>(3,832)</u>	<u>(6,799)</u>	<u>146,580</u>	
Stage 2 (significant increase in credit risk)									
Mason Capital (Note: 2)	3 May 2016	36,000	36,000	-	(727)	(8,472)	(9,199)	26,801	Nil
Wang Ming (Note: 3)	1 August 2017	58,000	58,000	686	(21,393)	(5,901)	(27,294)	31,392	Nil
		<u>94,000</u>	<u>94,000</u>	<u>686</u>	<u>(22,120)</u>	<u>(14,373)</u>	<u>(36,493)</u>	<u>58,193</u>	
Stage 3 (credit-impaired assets)									
Chan Vincent Wing Sing (Note: 4)	5 November 2019	19,000	19,000	2,629	-	-	-	21,629	2,279
Chung Tat Fun (Note: 5)	19 March 2018	55,000	55,000	4,531	(972)	(40,859)	(41,831)	17,700	59,114
Customer A (Note: 6)	28 May 2019	2,000	2,000	141	(7)	(256)	(263)	1,878	120
		<u>76,000</u>	<u>76,000</u>	<u>7,301</u>	<u>(979)</u>	<u>(41,115)</u>	<u>(42,094)</u>	<u>41,207</u>	
		<u><u>326,000</u></u>	<u><u>321,400</u></u>	<u><u>9,966</u></u>	<u><u>(26,066)</u></u>	<u><u>(59,320)</u></u>	<u><u>(85,386)</u></u>	<u><u>245,980</u></u>	

Notes:

1. Details of the loan receivables owed by the four customers at Stage 1 (the “**Stage 1 Customers**”) to the Group are as follows:
 - (i) Four loans and revolving loan facilities (the “**Stage 1 Loans**”) were granted to these four Stage 1 Customers. Each of the four Stage 1 Customers is a third party independent of the Company and its connected persons (as defined in the GEM Listing Rules) (an “**Independent Third Party**”).
 - (ii) After the credit assessment performed by the Group before entering into/extending the final repayment dates of the respective loan agreements of each of the four Stage 1 Customers, the Company is not aware of any subsequent changes in facts and circumstances that affected their repayment ability.

- (iii) Given that each of the Stage 1 Loans had low credit risk as at 31 December 2020, they remained at Stage 1 (initial recognition) classification to measure the ECL at an amount equal to 12-month ECL as at 31 December 2020 in accordance with Hong Kong Financial Reporting Standard 9 *Financial Instruments* (“**HKFRS 9**”). During the year ended 31 December 2020, an impairment loss of HK\$3,832,000 was recognised for the Stage 1 Loans, as supported by the valuation of an independent firm of professional valuers (the “**Independent Valuer**”). The recognition of impairment loss was mainly due to the increase in the probability of default in calculating the 12-month ECL caused by the COVID-19 pandemic, which has resulted in an adverse impact on the economic outlook in general and increased the possibility of default events within 12 months after 31 December 2020.
2. Details of the loan receivables (the “**Mason Capital Loan**”) owed by Mason Capital Limited (“**Mason Capital**”) to the Group are as follows:
- (i) Mason Capital is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. Its subsidiaries are principally engaged in the sale of motor vehicles. Its ultimate beneficial owner is Mr. Yu Zhen Hua Johnny (“**Mr. Yu**”). To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Mr. Yu and Mason Capital are Independent Third Parties.
- (ii) The Mason Capital Loan is interest-bearing at 10% per annum, secured by (a) a share charge over 100% issued shares in Mason Capital pledged by Koffman Greater China Limited, the sole shareholder of Mason Capital, and (b) a personal guarantee given by Mr. Yu. On 6 May 2021, a supplemental agreement was entered into between the Group and Mason Capital to further extend the final repayment date of the Mason Capital Loan from 9 May 2021 to 9 May 2022.
- (iii) The grant and the extensions of the Mason Capital Loan constituted discloseable transactions of the Company under Chapter 19 of the GEM Listing Rules. Further details of the grant and the extensions of the Mason Capital Loan were disclosed in the Company’s announcements dated 3 May 2016, 9 May 2018, 9 May 2019, 8 May 2020, and 6 May 2021.
- (iv) The extension of the repayment date of the Mason Capital Loan on 8 May 2020 was based on the Group’s credit assessment on Mason Capital that (a) Mason Capital had been a customer with good payment history since 2016, (b) the share charge over 100% issued shares in Mason Capital, and (c) the personal guarantee given by Mr. Yu, whose credit score fell into a satisfactory category in the credit report obtained by the Group from an independent credit rating agency.
- (v) In performing the impairment assessment on the Mason Capital Loan for the six months ended 30 June 2020 in or around July 2020, the Group first became aware of the net liability position of Mason Capital which was resulted from the COVID-19 pandemic causing a deterioration of its financial performance. In addition, although Mason Capital paid interest in a timely fashion, the further extension of the Mason Capital Loan on 8 May 2020 indicated the continual existence of significant increase in credit risk of the Mason Capital Loan. In the second half of 2020, there were no changes in facts and circumstances after the impairment assessment performed in July 2020, as a result of which the Mason Capital Loan remained at Stage 2 (significant increase in credit risk).

- (vi) Although the Mason Capital Loan remained at Stage 2 (significant increase in credit risk) in assessing the ECL under HKFRS 9 at 31 December 2020, the recovery rate in calculating the lifetime ECL was downgraded due to the net liability position of Mason Capital. During the year ended 31 December 2020, an impairment loss of HK\$8,472,000 (2019: HK\$644,000) was recognised for the Mason Capital Loan, as supported by the valuation of the Independent Valuer.
3. Details of the loan receivables (the “**Wang Loan**”) owed by Wang Ming (“**Ms. Wang**”) to the Group are as follows:
- (i) Ms. Wang is a businesswoman carrying on property investment business in the People’s Republic of China (the “**PRC**”). To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Ms. Wang is an Independent Third Party. The Wang Loan is interest-bearing at 8% per annum, unsecured, and maturing on 24 July 2022.
- (ii) The grant and the extensions of the Wang Loan constituted discloseable transactions of the Company under Chapter 19 of the GEM Listing Rules. Further details of the grant and the extensions of the Wang Loan were disclosed in the Company’s announcements dated 1 August 2017, 7 August 2018, 7 August 2019 and 24 July 2020.
- (iii) The extension of the repayment date of the Wang Loan was based on the Group’s credit assessment on Ms. Wang that (a) Ms. Wang owned two properties in Hong Kong and a 64.98% interest in the registered capital of a property investment company in the PRC, namely 重慶廣微控股有限公司, and (b) the market values of the two properties and the net assets value of 重慶廣微控股有限公司.
- (iv) In performing the impairment assessment on the Wang Loan for the six months ended 30 June 2020 in or around July 2020, the Wang Loan remained to be considered as having a significant increase in credit risk and at Stage 2 (significant increase in credit risk) as there was a further extension of the repayment date of the Wang Loan on 24 July 2020. In the second half of 2020, there were no changes in facts and circumstances after the impairment assessment performed in July 2020, as a result of which the Wang Loan remained at Stage 2 (significant increase in credit risk).
- (v) As the Wang Loan remained at Stage 2 (significant increase in credit risk) in assessing the ECL under HKFRS 9, an impairment loss of HK\$5,901,000 (2019: HK\$10,025,000) was recognised during the year ended 31 December 2020, as supported by the valuation of the Independent Valuer. The impairment loss was mainly due to the increase in the probability of default in calculating the lifetime ECL caused by the COVID-19 pandemic, which has resulted in an adverse impact on the economic outlook in general and increased the possibility of default events within 12 months after 31 December 2020.
- (vi) Ms. Wang has failed to pay the accrued interest as they fell due since May 2021. In performing the impairment assessment on the Wang Loan for the nine months ended 30 September 2021, the credit risk associated with the Wang Loan was considered increased significantly and reclassified from Stage 2 (significant increase in credit risk) to Stage 3 (credit-impaired assets).

4. Details of the loan receivables (the “**Chan Loan**”) owed by Chan Vincent Wing Sing (“**Mr. Chan**”) to the Group are as follows:

- (i) Mr. Chan is a merchant and a 50% shareholder of an over 30% controlling shareholder of a listed company in Hong Kong. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Mr. Chan is an Independent Third Party.
- (ii) The Chan Loan is interest-bearing at 12% per annum, secured by a first legal charge over a commercial property located in Central owned by Mr. Chan’s wholly-owned company. The Chan Loan matured on 5 November 2021.
- (iii) The grant of the Chan Loan constituted a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. Further details of the grant of the Chan Loan were disclosed in the Company’s announcement dated 5 November 2019.
- (iv) The grant of the Chan Loan was based on the Group’s credit assessment on Mr. Chan that (a) Mr. Chan was a controlling shareholder of a listed company, and (b) the facilities were secured by the first legal charge over the commercial property with an estimated market value covering the principal amount of the Chan Loan.
- (v) As at 31 December 2020, overdue interest of HK\$2,279,000 on the Chan Loan remained unpaid. Mr. Chan explained that the delay in payment was due to travel restrictions caused by the COVID-19 pandemic. The Chan Loan was reclassified from Stage 1 (initial recognition) to Stage 3 (credit-impaired assets) in assessing the ECL under HKFRS 9. As the Chan Loan was secured by the first legal charge over the commercial property, no impairment loss was recognised for the year ended 31 December 2020 (2019: Nil), which was supported by the valuation of Independent Valuer.
- (vi) Since last year, the Group had been in discussion with Mr. Chan for a plan to settle the overdue payments, but no plan was reached as of 31 December 2020. Since June 2021, the Group exercised its right to take possession of and sell the commercial property. The commercial property was sold to an Independent Third Party on 8 September 2021 at a price of HK\$15,900,000 and the disposal proceeds, after deducting costs, were applied to offset part of the outstanding principal amount of the Chan Loan. Following the disposal of the commercial property, the Group is taking legal action for the recovery of the shortfall in the outstanding loan principal and accrued and unpaid interest.

5. Details of the loan receivables (the “**Chung Loan**”) owed by Chung Tat Fun (“**Mr. Chung**”) to the Group are as follows:

- (i) Mr. Chung is a merchant and was an executive director of a listed company in Hong Kong when the loan was granted. The Chung Loan was guaranteed by a micro-lending company in the PRC (the “**Guarantor**”) of which Mr. Chung owned a 20% minority interest. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Mr. Chung, the Guarantor and its ultimate beneficial owners are Independent Third Parties. The Chung Loan was interest-bearing at 15% per annum and matured on 9 April 2020.
- (ii) The grant of the Chung Loan constituted a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. Further details of the grant of the Chung Loan were disclosed in the Company’s announcement dated 19 March 2018.

- (iii) The grant of the Chung Loan was based on the Group's credit assessment on Mr. Chung that (a) Mr. Chung had two properties in Hong Kong and Guangzhou City, the PRC, (b) Mr. Chung had an indirect ownership in 2.46% interest in the issued share capital of a listed company in Hong Kong, and (c) the corporate guarantee given by the Guarantor.
 - (iv) The Group treated the Chung Loan as defaulted since around April 2020. As a result, the Chung Loan was reclassified from Stage 1 (initial recognition) to Stage 3 (credit-impaired assets) in assessing the ECL under HKFRS 9. During the year ended 31 December 2020, an impairment loss of HK\$40,859,000 (2019: HK\$392,000) was recognised, which was supported by the valuation of the Independent Valuer.
 - (v) The Group commenced civil proceeding in the PRC against Mr. Chung and the Guarantor in September 2020 to claim for the outstanding principal amount together with the accrued and unpaid interest thereon. The Court hearing was held on 19 October 2021 and the Group is currently waiting for the judgment and/or further direction of the Court.
6. Details of the loan receivables (the “**Customer A Loan**”) owed by a customer (“**Customer A**”) to the Group are as follows:
- (i) Customer A is a director of a company established in the PRC, which is principally engaged in properties investment, securities investment, assets management business and the provision of financial consultancy services. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Customer A is an Independent Third Party.
 - (ii) The Customer A Loan was interest-bearing at 12% per annum, unsecured, and matured on 29 May 2021. The grant of the Customer A Loan did not constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.
 - (iii) The grant of the Customer A Loan was based on the Group's credit assessment on Customer A that (a) he had a securities investment portfolio maintained at Global Mastermind Securities Limited (“**GMSL**”), a wholly-owned subsidiary of the Company engaging in provision of securities services, and (b) Customer A had given an undertaking to the Group (the “**Undertaking**”), under which he undertook to the Group that he shall dispose of the whole or any part of the investment portfolio held in his securities account maintained at GMSL to repay the Customer A Loan if he fails to repay the outstanding principal amount and/or interest.
 - (iv) The Group treated the Customer A Loan as defaulted since around August 2020. As a result, the Customer A Loan was reclassified from Stage 1 (initial recognition) to Stage 3 (credit-impaired assets) in assessing the ECL under HKFRS 9. In view of the Undertaking given by Customer A, an impairment loss of HK\$256,000 was recognised during the year ended 31 December 2020 (2019: HK\$7,000), which was supported by the valuation of the Independent Valuer.
 - (v) The Group is currently seeking legal advice on the recovery of the outstanding principal amount of the Customer A Loan and the accrued and unpaid interest.

DETAILS OF THE VALUATION CONDUCTED IN THE IMPAIRMENT ASSESSMENT

Qualification of Valuer

The Directors performed the impairment assessment on the loan receivables with reference to the valuation reports performed by the Independent Valuer, which has a team of appraisers, surveyors and financial analysts with experience in various professional areas including ECL assessment for listed companies in Hong Kong.

Valuation Method

The Group performs impairment assessment on loan receivables under ECL model in accordance with HKFRS 9. The amount of ECL recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. As the loan receivables contain significant financing components, the Group applies general approach to measure ECL on loan receivables. There are two measurement bases under the general approach:

- (i) 12-month ECL, which applies to all items from initial recognition as long as there is no significant deterioration in credit quality;
- (ii) Lifetime ECL, which applies when a significant increase in credit risk since initial recognition has occurred on an individual or collective basis.

Accordingly, the Group applies the “3-stage” impairment model based on change in credit risk since initial recognition as follows:

- Stage 1: At initial origination of each receivable, the credit risks are considered low unless otherwise determined and 12-month ECL are to be computed as the credit loss of the entire receivable weighted by the probability of default (the “**Probability of Default**”) accumulated over the 12 months following the assessment date.
- Stage 2: If the credit risks of the receivables increase significantly since initial recognition but not deemed to be credit-impaired, lifetime ECL are to be computed as the credit loss of the entire receivable weighted by the Probability of Default accumulated over the entire life of the receivables.
- Stage 3: If objective evidence of credit impairment of the receivables is identified, lifetime ECL is to be computed and the receivable in this stage will be individually assessed.

The past payment records and other information about the customers' financial situation, when made available by the Company, are referenced to assess if there is significant deterioration in credit quality of the respective debtor to categorise the stage of each receivable.

The ECL is derived from the credit exposure, recovery rate and the respective Probability of Default which in turn is developed through the application of a linear multiple regression model (the "**Regression Model**") and certain adjustments. The Probability of Default is developed through the application of the Regression Model.

The adoption of general approach and the Regression Model in assessing the ECL and the Probability of Default under HKFRS 9 are consistent with the Company's accounting policies. The Regression Model is applied as it takes into the consideration of the impact of the macroeconomic factors in assessing the Probability of Default. As the application of Regression Model takes into consideration certain forward-looking information in the calculation of the ECL, it is considered by the Company to be more suitable for measuring the ECL on loan receivables.

Major Assumptions Adopted in the Valuation

In the calculation of the ECL, the following major assumptions were adopted:

- (i) Customers with receivables overdue days less than 30 days indicate relatively low credit risk which corresponds to Stage 1.
- (ii) Customers with receivables overdue days more than 30 days but less than or equal to 90 days indicate the significant increase in credit risk which triggers recognition of Stage 2.
- (iii) Customers with receivables overdue days more than 90 days indicate an objective evidence of impairment which triggers recognition of Stage 3.
- (iv) The Probability of Default of all-rated corporate debts (including both investment and speculative grades) is assumed to be an unbiased estimate of the Probability of Default under Stage 1 for corporate customers, subject to certain adjustments.
- (v) The Probability of Default of CCC-rated corporate debt is assumed to be an unbiased estimate of the Probability of Default under Stage 2 for corporate customers, subject to certain adjustments.

There was no significant change to the basis, assumptions and inputs adopted in the ECL assessment for the year ended 31 December 2020 from those adopted in previous years.

The above supplemental information does not affect other information contained in the Annual Report and save as disclosed above, all other information in the Annual Report remains unchanged.

By Order of the Board
Global Mastermind Holdings Limited
Cheung Kwok Wai, Elton
Chairman & Executive Director

Hong Kong, 25 November 2021

As at the date of this announcement, 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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Listed Company Information” page for at least seven days from the date of its posting and on the Company’s website at www.globalmholdings.com.