

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

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

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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\$41,674,000 for the nine months ended 30 September 2016 (for the nine months ended 30 September 2015: HK\$120,270,000), representing basic loss per share of HK1.98 cents (for the nine months ended 30 September 2015: HK15.73 cents).

Revenue and profitability

For the nine months ended 30 September 2016, the consolidated revenue of the Group amounted to HK\$33,830,000, representing a decrease of 15.9% as compared to HK\$40,243,000 for the nine months ended 30 September 2015. The decrease was mainly attributed to the expiry of hotel rooms supply agreement with effect from 1 January 2016. As such, no revenue was generated from the sales of hotel rooms in the current period.

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 and related products and 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 organizers and special projects organizers who require one stop professional MICE/special project/event management services.

The revenue arising from travel agency operation in Hong Kong consists of rendering travel agency services related to air ticketing and air/hotel packages.

Approximately 81.0% or HK\$27,412,000 of the total revenue was derived from the provision of travel and related products and services of which HK\$26,285,000 and HK\$1,127,000 was generated from the market in Singapore and Hong Kong respectively.

The money lending business opened up a new income stream for the Group and the interest income revenue derived from the provision of money lending services amounted to HK\$6,020,000 for the period under review (for the nine months ended 30 September 2015: Nil).

At the end of the reporting period, the Group revalued its equities portfolio at market prices and recognised an unrealised gain of HK\$428,000 (for the nine months ended 30 September 2015: an unrealised loss of HK\$133,000) arising on the change in fair value of financial assets at fair value through profit or loss. Together with a loss of HK\$4,069,000 (for the nine months ended 30 September 2015: HK\$1,000) generated from the sale of financial assets during the period under review, the total amount of the financial assets at fair value recognised to profit or loss was HK\$3,641,000 (for the nine months ended 30 September 2015: HK\$134,000).

Other income

Other income for the nine months ended 30 September 2016 amounted to HK\$3,241,000 representing a decrease of 10.4% as compared to HK\$3,616,000 for the corresponding period last year. Such decrease was mainly attributed to the decrease of (i) incentive income to HK\$591,000 (for the nine months ended 30 September 2015: HK\$1,066,000); (ii) employment credit from government grants to HK\$830,000 (for the nine months ended 30 September 2015: HK\$1,064,000); and (iii) commercial credit card rebate to HK\$297,000 (for the nine months ended 30 September 2015: HK\$749,000) and by offsetting to the increase in management and administrative income to HK\$1,504,000 (for the nine months ended 30 September 2015: HK\$557,000) during the period under review.

Expenditure

For the reporting period, staff costs amounted to HK\$30,448,000 (for the nine months ended 30 September 2015: HK\$30,776,000). Depreciation and amortization expenses amounted to HK\$8,104,000 (for the nine months ended 30 September 2015: HK\$7,587,000). Other expenses amounted to HK\$15,293,000 (for the nine months ended 30 September 2015: HK\$14,214,000).

Impairment loss on available-for-sale investments

For the three months ended 31 March 2016, decrease in the fair value of the investment in 60,000,000 shares of China Star Entertainment Limited (“China Star”), which was classified as available-for-sale investments, amounted to HK\$11,400,000 was recognized in other comprehensive income under investments revaluation reserve. Due to a significant decline in the fair value of such investment below its cost, an impairment loss amounting to HK\$11,400,000 had been recognized during the three months ended 31 March 2016 which was reclassified from investments revaluation reserve to profit or loss.

For the three months ended 30 June 2016, increase in fair value of such investment amounting to HK\$5,400,000 was recognized in other comprehensive income under investments revaluation reserve.

On 15 September 2016, the Group disposed 60,000,000 shares of China Star to two independent third parties in an aggregate consideration of HK\$33,000,000. HK\$2,486,000, being the net amount of (i) a further loss on the fair value of HK\$7,886,000 recognized under investments revaluation reserve upon the disposal of the 60,000,000 shares of China Star; and (ii) the accumulated amount of HK\$5,400,000 under investments revaluation reserve, was reclassified from investments revaluation reserve to profit or loss. Accordingly, the aggregate loss on the available-for-sale investments in profit or loss during the nine months ended 30 September 2016 was HK\$13,886,000.

For the nine months ended 30 September 2015, decrease in fair value of such investment amounting to HK\$157,000,000 was recognized. Due to a significant decline in the fair value of the investment in China Star below its cost, an impairment loss amounting to HK\$90,000,000 had been recognized during the nine months ended 30 September 2015 which was reclassified from investments revaluation reserve to profit or loss.

Impairment loss on intangible assets

The management performs regular review on the carrying values of intangible assets of the acquired business to determine any potential impairment loss.

During the six months ended 30 June 2016, the management, with the assistance of an independent professional qualified valuer not connected with the Group, reviewed the carrying amounts of the intangible assets, which were purchased as part of the acquisition of Safe2Travel Pte Ltd completed on 30 March 2011 and was recognized as their fair value at the date of acquisition, were higher than the respective recoverable amounts, an impairment loss of HK\$8,000,000 was recognised in profit or loss during the period.

During the three months ended 30 September 2016, the management further reviewed the carrying amounts of the intangible assets, as compared with the impairment test conducted in the second quarter of this year, which were lower than the respective recoverable amounts. No impairment loss was identified on the intangible assets during the period.

During the three months ended 30 September 2015, the management reviewed the carrying amounts of the intangible assets which were higher than the respective recoverable amounts. An impairment loss of HK\$15,000,000 was recognized in profit or loss during the period.

Finance costs

For the nine months ended 30 September 2016, finance costs of HK\$1,816,000 (for the nine months ended 30 September 2015: HK\$426,000) was attributed to the interests on short term bank borrowings and loan payable.

BUSINESS REVIEW

Completion of shares subscription (the “Share Subscription”)

On 8 July 2016, the Company allotted and issued 458,700,000 subscription shares (the “Subscription Share(s)”) at an issue price of HK\$0.1 per Subscription Share to the subscribers under general mandate raising HK\$45,770,000 (net of expenses) (the “Net Proceeds”).

Discloseable transaction in relation to the provision of financial assistance and change in use of proceeds

On 3 August 2016, a loan agreement was entered into between Global Mastermind Financial Services Limited, an indirect wholly-owned subsidiary of the Company, as lender and a customer, an independent third party, as borrower, pursuant to which Global Mastermind Financial Services Limited has conditionally agreed to grant a loan in the principal amount of HK\$40,000,000 (the “Loan”) to the borrower for a term of three months from the date of drawdown with an interest rate of 15% per annum (the “Loan Agreement”). As all of the relevant applicable percentage ratios in respect of the grant of the loan under the loan agreement was more than 5% but less than 25%, the grant of the loan under the loan agreement constituted a discloseable transaction of the Company and was only subject to the announcement requirement under Chapter 19 of the GEM Listing Rules. Details of the loan agreement were set out in the Company’s announcements dated 3 August 2016.

On 5 October 2016, the Company announced that HK\$40,000,000 had been applied from the Net Proceeds to finance the Loan pursuant to the Loan Agreement. The remaining balance of the Net Proceeds of approximately HK\$5,770,000 would be re-allocated for general working capital of the Group.

Discloseable Transaction in relation to the disposal of shares in China Star Entertainment Limited

On 15 September 2016, Long Joy Investments Limited (“Long Joy”), a direct wholly-owned subsidiary of the Company, entered into two bought and sold notes (the “Bought and Sold Notes”) with two purchasers (the “Purchaser(s)”), pursuant to which Long Joy sold an aggregate of 60,000,000 shares (the “Sale Share(s)”) of China Star held by it to the Purchasers at an aggregate consideration of HK\$33,000,000 at the subscription price of HK\$0.55 (the “Subscription Price”) per Sale Share (the “Disposal”). The aggregate number of 60,000,000 Sale Shares representing approximately 7.97% of the entire issued share capital of China Star on 15 September 2016. According to the Bought and Sold Notes, each Purchaser had acquired 30,000,000 Sale Shares respectively. The applicable percentage ratios (as defined in the GEM Listing Rules) for the Disposal was more than 5% but are less than 25% and therefore the Disposal constituted a discloseable transaction of the Company and was subject to the announcement requirement under Chapter 19 of the GEM Listing Rules. Details of the Disposal were set out in the Company’s announcements dated 15 September 2016 and 20 September 2016.

Update on the development of new business

SFC accepted the license application for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) in June 2016. They are currently under review. The Directors expect the license to corporation for Type 9 (asset management) will be granted on or before the end of 2016 and for Type 1 (dealing in securities) and Type 4 (advising on securities) in the first quarter of 2017. In order to fully operate in the first quarter of 2017, the Group are currently setting up the needed information technology infrastructure system, preparing the application for the trading rights from the Stock Exchange and recruiting appropriate candidate for the businesses.



OUTLOOK

In the coming quarters, the travel business environment is continuing to be challenging. The Group's profitability 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.

In order to maintain the Group's sustainability and preservation of value over the longer term, the Group will continue to look for suitable investment opportunities and projects in other areas characterised by stable cash inflows. The management believes that the development of new businesses in dealing in securities, advising on securities and asset management will create synergies with the Group's existing businesses in the future.

EVENTS AFTER THE REPORTING PERIOD

Issue of 800,000,000 shares of the Company under specific mandate

On 12 October 2016, the Company and Haier Healthwise Holdings Limited (the "Subscriber") entered into a subscription agreement (the "Subscription Agreement"), pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 800,000,000 shares of the Company (the "Subscription Shares") at the price of HK\$0.14 (the "Subscription Price") per Subscription Share (the "Subscription"). The Subscription Shares to be subscribed for under the Subscription Agreement will be allotted and issued under specific mandate (the "Specific Mandate") which will be sought from the shareholders of the Company at the extraordinary general meeting. Details of the Subscription were set out in the Company's announcement dated 12 October 2016. The circular for convening the extraordinary general meeting for approving the Subscription is being prepared by the Company as at the date of this report.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF GLOBAL MASTERMIND HOLDINGS LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Global Mastermind Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 11 to 24, which comprise the condensed consolidated statement of profit or loss and other comprehensive income for the nine-month period ended 30 September 2016, and certain explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the basis set out in note 1. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion on these condensed consolidated financial statements solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with the basis of the preparation as set out in note 1 to the condensed consolidated financial statements.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

11 November 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2016

NOTES	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue and income				
Service income from provision of travel and related products and services	8,721	6,087	27,412	28,102
Sales of hotel rooms	-	2,839	-	12,141
Interest income from money lending business	3,667	-	6,020	-
Dividend income from financial assets at fair value through profit or loss	176	-	398	-
Financial assets at fair value	1,854	-	-	-
Total revenue and income	<u>14,418</u>	<u>8,926</u>	<u>33,830</u>	<u>40,243</u>
Costs of revenue and income				
Costs of sale of hotel rooms	-	(2,575)	-	(11,025)
Financial assets at fair value	-	(134)	(3,641)	(134)
Total costs of revenue and income	<u>-</u>	<u>(2,709)</u>	<u>(3,641)</u>	<u>(11,159)</u>
Other income	1,047	970	3,241	3,616
Staff costs	(9,367)	(10,645)	(30,448)	(30,776)
Depreciation and amortisation expenses	(3,309)	(2,318)	(8,104)	(7,587)
Other expenses	(6,813)	(4,619)	(15,293)	(14,214)
Impairment loss on available-for-sale investments	(2,486)	(90,000)	(13,886)	(90,000)
Impairment loss on intangible assets	-	(15,000)	(8,000)	(15,000)
Finance costs	(1,691)	(188)	(1,816)	(426)
Share of profit of a joint venture	20	472	46	1,232
Loss before tax	<u>(8,181)</u>	<u>(115,111)</u>	<u>(44,071)</u>	<u>(124,071)</u>
Income tax credit	341	3,194	2,397	3,801
Loss for the period	<u>(7,840)</u>	<u>(111,917)</u>	<u>(41,674)</u>	<u>(120,270)</u>

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

For the nine months ended 30 September 2016

		Three months ended 30 September		Nine months ended 30 September	
NOTES	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	
	Other comprehensive (expense) income for the period				
	Items that may be reclassified subsequently to profit or loss:				
	Exchange differences arising on translation of foreign operation	(2,706)	(11,825)	7,403	(16,088)
	Share of exchange difference of a joint venture	(479)	(552)	599	(811)
6	Fair value loss on available-for-sale investments	(7,886)	(133,500)	(13,886)	(157,500)
6	Reclassification adjustment upon impairment on available-for-sale investments	2,486	90,000	13,886	90,000
	Other comprehensive (expense) income for the period	(8,585)	(55,877)	8,002	(84,399)
	Total comprehensive expense for the period	(16,425)	(167,794)	(33,672)	(204,669)
	Loss for the period attributable to owners of the Company	(7,840)	(111,917)	(41,674)	(120,270)
	Total comprehensive expense attributable to owners of the Company	(16,425)	(167,794)	(33,672)	(204,669)
10	Loss per share (HK cents) Basic	(0.29)	(14.64)	(1.98)	(15.73)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The condensed consolidated financial statements do not include all the information required for a complete set of Hong Kong Financial Reporting Standards financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2015.

The principal accounting policies applied in preparing these condensed consolidated financial statements are set out in note 2.

2. PRINCIPAL ACCOUNTING POLICIES

The amounts included in these condensed consolidated financial statements have been computed in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") applicable to interim periods. However, it does not contain sufficient information to constitute an interim financial report as defined in HKFRS.

The accounting policies used in the condense consolidated financial statements for the nine months ended 30 September 2016 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

The condense consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs and interpretation issued by the HKICPA.

Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The application of these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

3. INTEREST INCOME FROM MONEY LENDING BUSINESS

During the nine months ended 30 September 2016, the Group commenced to develop a money lending business and generated interest income of HK\$6,020,000 (for the nine months ended 30 September 2015: nil).

4. FINANCIAL ASSETS AT FAIR VALUE

An analysis of the financial assets at fair value is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Realised loss on financial assets at fair value through profit or loss				
Proceeds from sale of financial assets at fair value through profit or loss	3,802	365	31,461	365
Carrying amount of financial assets at fair value through profit or loss plus transaction costs	(5,020)	(366)	(35,530)	(366)
	(1,218)	(1)	(4,069)	(1)
Unrealised gain (loss) on financial assets at fair value through profit or loss	3,072	(133)	428	(133)
	1,854	(134)	(3,641)	(134)

5. OTHER INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest income	3	90	11	127
Exchange gain	-	9	-	52
Incentive income	-	335	591	1,066
Employment credits from government grants	270	269	830	1,064
Management and administrative income	473	267	1,504	557
Commercial credit card rebate	297	-	297	749
Miscellaneous income	4	-	8	1
	1,047	970	3,241	3,616

6. AVAILABLE-FOR-SALE (“AFS”) INVESTMENTS

The Group's AFS investments are stated at fair value which have been determined based on the quoted market bid prices available on the Stock Exchange of Hong Kong Limited.

In September 2016, the Group disposed of all of its AFS investments. During the three months ended 31 March 2016, a loss on fair value of AFS investments amounting to HK\$11,400,000 was reclassified to profit or loss from investment revaluation reserve. The fair value change of the AFS investments during the three months ended 30 June 2016 accumulated in the investment revaluation reserve amounting to HK\$5,400,000 together with a further loss on fair value upon disposal of HK\$7,886,000 resulted in a reclassification of HK\$2,486,000 from investment revaluation reserve to profit or loss during the three months ended 30 September 2016. Accordingly, the aggregate loss on the fair value of AFS investment recognised in profit or loss during the nine months ended 30 September 2016 is HK\$13,886,000.

During the nine months ended 30 September 2015, decrease in fair value of listed securities amounting to HK\$157,500,000 was recognised. Due to a significant decline in the fair value of the investment in China Star below its cost, an impairment loss amounting to HK\$90,000,000 has been recognised during the nine months ended 30 September 2015 which was reclassified from the investment revaluation reserve to profit or loss.

7. IMPAIRMENT LOSS ON INTANGIBLE ASSETS

For the impairment testing, trade name and the customer relationship are allocated to the Group's cash generating units ("CGUs") identified according to business segment which is the travel business segment.

As of 30 June 2016, the management carried out the impairment assessment on the recoverable amount of the travel business's CGUs that was based on its value in use and was determined with the assistance of Ascent Partners Valuation Service Limited, an independent professional qualified valuer not connected with the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and at a discount rate of 15.30% (31 December 2015: 16.35%). Cash flows after the five-year period were extrapolated using a 2.58% (31 December 2015: 2.64%) growth rate in considering the economic condition of the market. The growth rates used to extrapolate cash flow projections beyond the five-year period do not exceed the long-term average growth rate for the industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance and management's expectations for the market development including the fluctuation in the travel business in the current economic environment. Both actual sales and profit generated from the travel business segment in Singapore have fallen below expectation, and therefore the management has revised the cash flow projections. In this regard, the management reviewed the current and expected performance of the travel business indicated that the carrying amounts of the CGUs were above the respective recoverable amounts. On this basis, the directors of the Company concluded that an impairment loss of HK\$8,000,000 was recognised in profit or loss during the six months ended 30 June 2016.

During the three months ended 30 September 2016, the management of the Group further reviewed on the current and expected performance of travel business indicated that the recoverable amount, while reduced as compared with the impairment test conducted in the second quarter this year, was above the respective carrying amount. On this basis, the directors of the Company concluded that there was no material impairment loss identified on the intangible assets in this regard.

As of 30 September 2015, the management reviewed on the current and expected performance of travel business indicated that the carrying amount of the CGUs, was above the respective recoverable amount. On this basis, the directors of the Company concluded that an impairment loss of HK\$15,000,000 was recognised in profit or loss during the three months ended 30 September 2015.

8. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest on short term bank borrowings	55	-	108	-
Interest on loan payable	1,636	-	1,708	-
Interest on advances drawn on trade receivables discounted with full recourse, repayable within one year	-	188	-	426
	1,691	188	1,816	426

9. INCOME TAX CREDIT

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Tax credit (expense) comprises:				
Singapore Corporate Income Tax				
- Current period	-	320	-	-
- (Under)overprovision in prior years	-	(6)	-	201
	-	314	-	201
Deferred taxation - current period	341	2,880	2,397	3,600
	341	3,194	2,397	3,801

Singapore Corporate Income Tax is calculated at 17% in accordance with the relevant laws and regulations in Singapore for both periods.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

No provision for Hong Kong Profits Tax or Singapore Corporate Income Tax has been made as the Company and its subsidiaries either incurred tax losses or the estimated assessable profit is wholly absorbed by tax losses brought forward from prior years.

10. LOSS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss				
Loss for the purposes of basic loss per share				
– Loss for the period attributable to owners of the Company	(7,840)	(111,917)	(41,674)	(120,270)
	_____	_____	_____	_____
	Three months ended 30 September		Nine months ended 30 September	
	2016 '000 (Unaudited)	2015 '000 (Unaudited)	2016 '000 (Unaudited)	2015 '000 (Unaudited)
Number of shares				
Weighted average number of ordinary shares for the purposes of basic loss per share (Note)	2,717,516	764,572	2,106,746	764,572
	_____	_____	_____	_____

Note: Since there was no bonus element included in the rights issue completed in February 2016 (note 12), no adjustment was applied to the loss per share in this regard.

Diluted loss per share for the nine months ended/three months ended 30 September 2016 and 2015 are not presented as there were no dilutive potential ordinary shares in issue during the relevant periods.

11. INTERIM DIVIDEND

No dividend was paid, declared or proposed during the nine months ended 30 September 2016 and 2015, 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 HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Distributable reserve HK\$'000	Merger reserve HK\$'000	Investments revaluation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	
At 1 January 2016 (audited)	7,646	582,584	32,589	-	-	(28,443)	(236,945)	357,431
Loss for the period	-	-	-	-	-	-	(41,674)	(41,674)
Exchange difference arising in translation of foreign operation	-	-	-	-	-	7,403	-	7,403
Share of exchange difference of a joint venture	-	-	-	-	-	599	-	599
Fair value loss on available-for-sale investments	-	-	-	-	(13,886)	-	-	(13,886)
Reclassification adjustment upon impairment on available-for-sale investments	-	-	-	-	13,886	-	-	13,886
Total comprehensive income (expense) for the period	-	-	-	-	-	8,002	(41,674)	(33,672)
Issue of shares <i>(Note)</i>	19,878	173,127	-	-	-	-	-	193,005
At 30 September 2016 (unaudited)	27,524	755,711	32,589	-	-	(20,441)	(278,619)	516,764
At 1 January 2015 (audited)	7,646	582,584	32,589	5,000	67,500	(10,692)	(115,763)	568,864
Loss for the period	-	-	-	-	-	-	(120,270)	(120,270)
Other comprehensive expense	-	-	-	-	(67,500)	(16,899)	-	(84,399)
Total comprehensive expense for the period	-	-	-	-	(67,500)	(16,899)	(120,270)	(204,669)
At 30 September 2015 (unaudited)	7,646	582,584	32,589	5,000	-	(27,591)	(236,033)	364,195

Note:

On 29 February 2016, the Company completed a rights issue of 1,529,144,700 rights shares at a subscription price of HK\$0.10 per rights share on the basis of two rights shares for every one existing ordinary share of the Company held by shareholders of the Company at a record date of 27 January 2016. The net proceeds from the rights issue, after deducting directly attributable costs were approximately HK\$147.2 million. Details of the rights issue were disclosed in the Company's circular dated 24 December 2015, prospectus dated 28 January 2016 and announcement dated 8 October 2015 and 26 February 2016.

On 8 July 2016, the Company completed an issue of a total of 458,700,000 subscription shares under general mandate at the subscription price of HK\$0.10 per subscription share. The net proceeds from the share subscription, after deducting directly attributable costs were approximately HK\$45.8 million. Details of the subscription were set out in the Company's announcements dated 23 June 2016 and 8 July 2016.

13. SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted an old share option scheme (“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 (“2011 Scheme”) at the same meeting. The purpose of both share option schemes is to enable the Board, 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 three years from the date of acceptance.

No share options were granted or exercised for the nine months period ended 30 September 2016 and 2015, and there was no outstanding share options at 30 September 2016 and 2015.

14. RELATED PARTY TRANSACTIONS

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	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Related companies (Note)	Management and administrative income	473	–	1,046	290

Note: The directors of the Company, Mr. Mung Kin Keung and Mr. Mung Bun Man, Alan, have beneficial interests in the related companies.

15. EVENT AFTER THE END OF THE REPORTING PERIOD

On 12 October 2016, the Company and Haier Healthwise Holdings Limited (“Haier Healthwise”) entered into a subscription agreement. Pursuant to which Haier Healthwise has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 800,000,000 subscription shares under special mandate at the subscription price of HK\$0.14 per subscription share. Haier Healthwise will become a substantial shareholder of the Company as a result of the completion of this subscription. Details of the subscription were set out in the Company’s announcement dated 12 October 2016. Up to the date of this report, such subscription has not yet been completed.

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 2016, the interests and short positions of the Directors and chief executives of the Company 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 in ordinary shares of HK\$0.01 each of the Company

Name of Director	Capacity/ Nature of interests	Long position/ short position	Number of ordinary shares held	Approximate percentage of the issued ordinary share capital of the Company
Mr. Mung Kin Keung (Note)	Interest of controlled corporation	Long position	532,000,000	19.33
Mr. Mung Bun Man, Alan (Note)	Interest of controlled corporation	Long position	532,000,000	19.33
Mr. Tse Ke Li	Beneficial owner	Long position	1,150,000	0.04

Note: 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.

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 2016.

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

As at 30 September 2016, 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:

Name of Shareholder	Capacity/ Nature of interests	Long position/ short position	Number of ordinary shares/held	Approximate percentage of the issued ordinary share capital of the Company
Smart Concept Enterprise Limited <i>(Note 1)</i>	Beneficial owner	Long position	358,700,000	13.03
Mr. Yuen Hoi Po <i>(Note 1)</i>	Interest of controlled corporation	Long position	358,700,000	13.03
Charm City Developments Limited <i>(Note 2)</i>	Beneficial owner	Long position	153,936,000	5.59
Ms. Wang Chao Julia <i>(Note 2)</i>	Interest of controlled corporation	Long position	153,936,000	5.59

Notes:

- (1) 358,700,000 shares are held by Smart Concept Enterprise Limited (“Smart Concept”), which is wholly owned by Mr. Yuen Hoi Po, who is deemed to be interested in all the shares in which Smart Concept is interested by virtue of the SFO.
- (2) 153,936,000 shares are held by Charm City Developments Limited (“Charm City”), which is wholly owned by Ms. Wang Chao Julia, who is deemed to be interested in all the shares in which Charm City is interested by virtue of the SFO.

Save as disclosed above, as at 30 September 2016, the Directors were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company under Section 336 of the SFO.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 September 2016.

COMPETING INTERESTS

During the nine months ended 30 September 2016, none of the Directors, the management shareholders of the Company nor their respective close associates (as defined under the GEM Listing Rules) had any interest in a business which causes or may cause significant competition with the business of the Group.

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 consolidated results of the Group for the nine months ended 30 September 2016.

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 2016.

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

On behalf of the Board

Mung Bun Man, Alan

Executive Director

Hong Kong, 11 November 2016

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