



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
2020

*For identification purposes only

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*This report, for which the directors (the “**Directors**”) of Global Mastermind Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Global Mastermind Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) recorded a loss attributable to owners of the Company of HK\$17,828,000 for the three months ended 31 March 2020 (2019: HK\$12,687,000), representing basic loss per share of HK0.42 cent (2019: HK0.30 cent). The increase in loss attributable to owners of the Company was mainly attributable to (i) a HK\$3,791,000 decrease in service income from provision of travel related services; and (ii) a HK\$6,435,000 increase in net unrealised loss on securities investment, which were partially offset by a HK\$3,206,000 increase in interest income from money lending business.

Revenue and profitability

An analysis of the Group’s revenue for the three months ended 31 March 2020 and 2019 was as follows:

	2020 HK\$’000 (Unaudited)	2019 <i>HK\$’000</i> (Unaudited)
Service income from provision of travel related services	2,342	6,133
Interest income from money lending business	8,673	5,467
Net realised gain on securities investment	–	918
Revenue derived from financial services business	3,680	3,218
	14,695	15,736

For the three months ended 31 March 2020, the revenue of the Group amounted to HK\$14,695,000 (2019: HK\$15,736,000), comprised of (i) service income from provision of travel related services of HK\$2,342,000 (2019: HK\$6,133,000); (ii) interest income from money lending business of HK\$8,673,000 (2019: HK\$5,467,000); and (iii) revenue derived from financial services business of HK\$3,680,000 (2019: HK\$3,218,000) (including commission income from securities brokerage; interest income from margin financing; handling and settlement income arising from securities brokerage; and asset management fee income). No gain or loss was recognised from sale of securities investment during the three months ended 31 March 2020 (2019: net realised gain of HK\$918,000). The decrease in revenue was mainly attributable to the HK\$3,791,000 decrease in service income from provision of travel related services, which was partially offset by the HK\$3,206,000 increase in interest income from money lending business.

The revenue arising from travel business in Singapore consists of agency commission and service income (both from customers and suppliers) generated from the provision of travel related services, including air tickets, 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 air tickets, hotel rooms, FIT packages and other travel related products. Meetings, Incentives, Conventions and Exhibitions (“**MICE**”) customers refer to customers who are mainly corporate customers, convention organisers and special projects organisers who require one stop professional MICE/special project/event management services.

For the three months ended 31 March 2020, approximately 15.9% or HK\$2,342,000 (2019: HK\$6,133,000) of the total revenue was derived from the provision of travel related services.

The interest income derived from the provision of money lending services amounted to HK\$8,673,000 for the three months ended 31 March 2020 (2019: HK\$5,467,000), representing an increase of approximately 58.6% as compared to that of the last corresponding period and approximately 59.0% of the total revenue.

For treasury management business, no gain or loss was recognised from the sale of securities investment for the three months ended 31 March 2020 (2019: net realised gain of HK\$918,000) as there was no sale of securities investment during the period under review.

For the financial services business, revenue of HK\$3,680,000 (2019: HK\$3,218,000), representing approximately 25.1% of the total revenue for the three months ended 31 March 2020, was generated, including (i) commission income from securities brokerage of HK\$699,000 (2019: HK\$1,214,000); (ii) interest income from margin financing of HK\$1,708,000 (2019: HK\$549,000); (iii) handling and settlement income arising from securities brokerage of HK\$1,246,000 (2019: HK\$1,289,000); and (iv) asset management fee income of HK\$27,000 (2019: HK\$166,000).

Other income, other gains and losses

Other income, other gains and losses for the three months ended 31 March 2020 amounted to HK\$3,607,000, representing an increase of 166.0% as compared to HK\$1,356,000 for the corresponding period of last year. The increase was mainly attributable to a HK\$1,653,000 subsidy given by the Singapore government under Jobs Support Scheme as a wage support to employers during the outbreak of the Novel Coronavirus Disease 2019 (the “**COVID-19**”).

Expenditure

For the three months ended 31 March 2020, staff costs amounted to HK\$13,336,000 (2019: HK\$14,892,000). Depreciation and amortisation expenses amounted to HK\$2,299,000 (2019: HK\$1,416,000). Other expenses amounted to HK\$4,003,000 (2019: HK\$6,058,000).

The decrease in staff costs and other expenses were mainly due to the decrease in business activities of the Group's travel business due to the outbreak of the COVID-19.

Finance costs

For the three months ended 31 March 2020, the finance costs amounted to HK\$4,466,000 (2019: HK\$2,358,000), of which (i) HK\$1,995,000 was related to the interest expense on other borrowing (2019: nil); (ii) HK\$2,131,000 was related to the imputed interest expense on the convertible bonds issued on 13 November 2018 (2019: HK\$2,076,000); (iii) HK\$160,000 was related to the imputed interest expenses on lease liabilities (2019: HK\$113,000); and (iv) HK\$180,000 was related to the interest expenses on short term bank borrowings (2019: HK\$169,000). The increase was mainly due to the absence of the interest expense on other borrowing in the three months ended 31 March 2019 as the loan of HK\$100,000,000 granted by a finance company was drawn in May 2019.

Share of results of a joint venture

On 30 July 2013, the Group entered into an agreement with a venturer to form a joint venture which principally engages in tours and travel agency business in Malaysia at a cash consideration of HK\$14,000,000 and the transaction was completed on 31 August 2013. Since then, the Group has been entitled to receive a management fee which is equivalent to 90% of the profit before taxation of the Malaysia tours and travel agency business.

The rapid outbreak and large-scale spread of the COVID-19 epidemic had severe impacts on the Malaysia tours and travel agency business. The joint venture's office in Malaysia has been temporarily closed from 18 March 2020 up to the date of this first quarterly report so as to comply with the order of Malaysian Government for curbing the spread of the COVID-19 epidemic in Malaysia. Under these circumstances, no unaudited financial information for the three months ended 31 March 2020 was provided from the joint venture, and therefore no share of results of the joint venture was recognised for the three months ended 31 March 2020.

BUSINESS REVIEW

Travel business

During the three months ended 31 March 2020, the Group's travel business generated revenue of HK\$2,342,000 (2019: HK\$6,133,000), a 61.8% decrease as compared to last corresponding period. Such decrease was due to the outbreak of the COVID-19 as most of the travel business has significantly reduced resulted from the recommendations for international traffic from World Health Organisation and respective governments around the world. Moreover, travel restrictions, nationwide lockdowns and quarantine measures adopted by the governments around the world have caused significant negative financial impacts on the Group's travel business.

Money lending business

During the three months ended 31 March 2020, the Group's money lending business generated interest income on loans of HK\$8,673,000 (2019: HK\$5,467,000), a 58.6% increase as compared to last corresponding period. The increase was contributed by the increase in the average monthly balance of loan receivables (before accumulated loss allowance of expected credit losses ("**ECL**") and accrued interest receivables), which increased from HK\$212,558,000 in the three months ended 31 March 2019 to HK\$320,551,000 in the three months ended 31 March 2020. During the three months ended 31 March 2020, the Group did not grant any new loan to its customers (2019: nil) but received repayment of HK\$260,000 (2019: HK\$242,000) from its customers. As at 31 March 2020, the Group's loan receivables together with accrued interest receivables (before accumulated loss allowance of ECL) amounted to HK\$328,675,000 (31 March 2019: HK\$217,522,000).

During the three months ended 31 March 2020, a borrower has failed to pay the interest of HK\$1,170,000 as it fell due since the borrower does not have sufficient operating cash as a result of the outbreak of the COVID-19. After several discussions with the borrower, the directors of the Company (the "**Directors**") believe that the overdue interest can be recovered. The Directors believe that the allowance of ELC on loan receivable has been provided adequately, and therefore no loss allowance of ECL on loan receivables was made for the three months ended 31 March 2020 (2019: nil).

Treasury management business

During the three months ended 31 March 2020, the Group did not acquire or sell any securities investment. As such, the Group did not realise any gain or loss from the sale of financial assets at fair value through profit or loss (2019: net realised gain of HK\$918,000). As at 31 March 2020, the Group remeasured its securities investment at market prices and recorded a net unrealised loss of HK\$11,461,000 (2019: HK\$5,026,000) arising on change in fair value of financial assets at fair value through profit or loss.

Financial services business

During the three months ended 31 March 2020, the revenue in this segment increased by 14.4% to HK\$3,680,000 (2019: HK\$3,218,000).

Commission income from securities brokerage for the three months ended 31 March 2020 decreased by 42.4% to HK\$699,000 (2019: HK\$1,214,000). This decrease was due to the decrease in transaction value of securities dealings.

Interest income from margin financing for the three months ended 31 March 2020 increased by 211.1% to HK\$1,708,000 (2019: HK\$549,000). The total outstanding loan of securities margin financing as at 31 March 2020 amounted to HK\$69,707,000 (as at 31 March 2019: HK\$30,116,000). No impairment on margin clients receivables was required for the three months ended 31 March 2020 (2019: nil).

The handling and settlement income arising from securities brokerage for the three months ended 31 March 2020 decreased by 3.3% to HK\$1,246,000 (2019: HK\$1,289,000).

The asset management fee income for the three months ended 31 March 2020 decreased by 83.7% to HK\$27,000 (2019: HK\$166,000). The decrease was due to the decrease in number of clients maintained in the Group's discretionary fund management accounts.

In March 2019, the Group has been licensed to carry on Type 6 (Advising on corporate finance) regulated activity under the Securities and Futures Ordinance. During the three months ended 31 March 2020, there was no advisory fee income generated from its corporate finance advisory business (2019: nil).

OUTLOOK

The travel business environment is continuing to be challenging and uncertain. The Group's profitability of travel business in Singapore is definitely impacted in the first half of 2020 as most of the countries around the globe have adopted intensive travel restrictions to contain the COVID-19 pandemic during the second quarter of 2020. In addition, the Ministry of Health of Singapore issued a press release on 3 April 2020 which outlined a stringent set of preventive measures, collectively called a "circuit breaker", has been applied from 7 April to 4 May 2020 with a further extension to 1 June 2020 based on the latest development in Singapore. As a result, the office of the travel business in Singapore is temporarily closed during the period of circuit breaker. Moreover, the outbreak of the COVID-19 causes a significant decline in the number of tourist arrival and affects the domestic inbound travel business of the joint venture company in Malaysia. The Directors expect that the global travel ban will cause a negative financial impact on the Group's travel business in this year. The Directors will cautiously monitor the development of the COVID-19, adopt appropriate measures and business strategies in response to changing market conditions.

The outbreak of the COVID-19 and the continuous trade conflict between Mainland China and the United States have dampened the local economy. The Directors anticipate that the equity markets in Mainland China and Hong Kong are still unstable and volatile in this year. The Group will adopt a conservative investment approach towards its treasury management business in the coming quarters. The Directors will cautiously monitor the equity markets in Mainland China and Hong Kong and the fundamental of each of the securities investment held by the Group. The Directors will adjust the Group's securities investment portfolio mix from time to time and realise the securities investment held by the Group into cash as and when appropriate.

For the money lending business, the Group will conduct an on-going monitoring approach to and communicate with its customers in a more frequent manner so as to obtain thorough information and understanding of the needs of its customers. In addition, the Group will adopt a more cautious approach in the assessments and approval of new loans in order to mitigate its credit risk.

Following the grant of the licence of Type 6 (Advising on corporate finance) regulated activity in March 2019, the Directors believe that a more comprehensive and wide range of financial services can be provided to the clients in order to increase and broaden the income stream in the future. The Group will seek for and allocate more resources to further develop such business. In addition, in view of the recent volatile financial market condition, the Group will adopt a more cautious approach to the credit control of its margin financing business.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 March 2020 and up to the date of this first quarterly report, the Group had the following material events:

- (a) Since the worldwide outbreak of the COVID-19 in the first quarter of 2020, the prevention and control of the COVID-19 has been going on around the world.

At present, the domestic securities market operates smoothly and the Group's operation is generally stable, while the COVID-19 epidemic may affect the operation of enterprises in certain countries, provinces, cities and certain industries, as well as the overall economic situation, and may have a further impact on the capital market, securities market, securities industry, travel business as well as certain businesses of the Group to a certain extent. The degree of impact will depend on the situation and duration of the epidemic prevention and control, and the implementation of national economic and industrial control policies.

The direction of deepening reform of the capital market remains unchanged, and the impact of the epidemic will not change the overall trend of the securities industry. The Group will continue to pay close attention to the development of the COVID-19 epidemic situation as well as the various control policies, assess and react actively to its impacts on the financial position and operating results of the Group.

- (b) A loan receivable with the principal amount of HK\$55,000,000 and accrued interest receivable of HK\$4,114,000 were due for payment on 9 April 2020. Having several discussions with the borrower, the borrower is seeking for postponement of repayment. Up to the date of this first quarterly report, the Group is in the course of negotiation with the borrower and yet to finalise a repayment proposal.

Other than those disclosed above, the Group had no material events for disclosure subsequent to 31 March 2020 and up to the date of this first quarterly report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2020

		Three months ended 31 March	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
	<i>Notes</i>		
Service income from provision of travel related services		2,342	6,133
Interest income from money lending business	3	8,673	5,467
Commission income from securities brokerage	4	699	1,214
Interest income from margin financing	4	1,708	549
Handling and settlement income arising from securities brokerage		1,246	1,289
Asset management fee income		27	166
Net realised gain on securities investment	5	–	918
Net unrealised loss on securities investment	5	(11,461)	(5,026)
Other income, other gains and losses	6	3,607	1,356
Staff costs		(13,336)	(14,892)
Depreciation and amortisation expenses		(2,299)	(1,416)
Other expenses	7	(4,003)	(6,058)
Finance costs	8	(4,466)	(2,358)
Share of results of a joint venture	9	–	399
		(17,263)	(12,259)
Loss before tax		(17,263)	(12,259)
Income tax expense	10	(565)	(428)
Loss for the period		(17,828)	(12,687)

NOTES TO THE QUARTERLY FINANCIAL INFORMATION

For the three months ended 31 March 2020

1. BASIS OF PREPARATION

The quarterly financial information has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The quarterly financial information does not include all the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019 (the “**2019 Financial Statements**”).

The principal accounting policies applied in preparing this quarterly financial information are set out in note 3 to the 2019 Financial Statements, except for the adoption of the new and amendments to HKFRSs set out in note 2 below.

2. PRINCIPAL ACCOUNTING POLICIES

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

The quarterly financial information has been prepared under the historical cost basis, except for certain 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 quarterly financial information for the three months ended 31 March 2020 are consistent with those followed in the preparation of the 2019 Financial Statements, except as described below.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

In the current period for the three months ended 31 March 2020, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's quarterly financial information:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the new and amendments to HKFRSs in the current period has had no material impact on the financial performance for the current and prior periods and/or disclosures set out in the quarterly financial information.

3. INTEREST INCOME FROM MONEY LENDING BUSINESS

During the three months ended 31 March 2020, the Group generated income of HK\$8,673,000 (for the three months ended 31 March 2019: HK\$5,467,000) from money lending business.

4. BROKERAGE COMMISSION INCOME AND INTEREST INCOME FROM MARGIN FINANCING

During the three months ended 31 March 2020, the Group generated brokerage commission income of HK\$699,000 (for the three months ended 31 March 2019: HK\$1,214,000) and interest income from margin financing of HK\$1,708,000 (for the three months ended 31 March 2019: HK\$549,000).

5. NET 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 year, 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.

	Three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (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	–	5,427
Carrying amount of financial assets at fair value through profit or loss	–	(4,509)
	–	918
Net unrealised loss on financial assets at fair value through profit or loss	(11,461)	(5,026)
	(11,461)	(4,108)

6. OTHER INCOME, OTHER GAINS AND LOSSES

	Three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Jobs Support Scheme from government in Singapore	1,653	–
Rental income from related parties (<i>note 15(b)</i>)	1,256	1,256
Net exchange gain (loss)	354	(196)
Interest income	180	58
Imputed interest income from deposit for a life insurance policy	35	–
Employment credits from government grants in Singapore	14	13
Commercial credit card rebate	3	125
Others	112	100
	3,607	1,356

7. OTHER EXPENSES

	Three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Handling fee and commission arising from brokerage business	1,446	1,645
Legal and professional fees	272	704
Telecommunication expenses	261	267
Travelling expenses	235	408
Rental expenses	172	978
Repair and maintenance expenses	171	189
Bank charges	159	677
Premium and other charges on a life insurance policy	73	–
Others	1,214	1,190
	4,003	6,058

8. FINANCE COSTS

	Three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Imputed interest expense on convertible bonds	2,131	2,076
Interest on other borrowing	1,995	–
Interest on short term bank borrowings	180	169
Interest on lease liabilities	160	113
	<u>4,466</u>	<u>2,358</u>

9. SHARE OF RESULTS OF A JOINT VENTURE

The rapid outbreak and large-scale spread of the novel coronavirus (the “COVID-19”) epidemic across the world had severe impacts in various industries in many countries, including the Group’s joint venture carrying out travel business in Malaysia. The joint venture’s office in Malaysia has been temporarily closed from 18 March 2020 up to the date of this first quarterly report so as to comply with order of Malaysian Government for curbing the spread of the COVID-19 epidemic in Malaysia. Under these circumstances, there was no unaudited financial information for the three months ended 31 March 2020 provided from the joint venture during the period, and therefore no share of results of the joint venture was recognised for the three months ended 31 March 2020.

10. INCOME TAX EXPENSE

	Three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
The tax charge comprises:		
Hong Kong Profits Tax – current period	565	428
	<u>565</u>	<u>428</u>

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.

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.

11. LOSS PER SHARE

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

	Three months ended 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	(17,828)	(12,687)

	Three months ended 31 March	
	2020	2019
	<i>'000</i>	<i>'000</i>
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	4,262,867	4,262,867

For the three months ended 31 March 2020 and 2019, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds as at 31 March 2020 and 2019 since their assumed conversion would result in a decrease in loss per share.

12. INTERIM DIVIDEND

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the three months ended 31 March 2020 and 2019, nor has any dividend been proposed since the end of both reporting periods.

13. SHARE CAPITAL, SHARE PREMIUM AND RESERVES

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note)	Exchange reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Property revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
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
At 1 January 2019 (audited)	42,629	920,537	32,589	(20,103)	4,108	65,547	(375,002)	670,305
Loss for the period	-	-	-	-	-	-	(12,687)	(12,687)
Other comprehensive income for the period	-	-	-	1,327	-	-	-	1,327
Total comprehensive income (expense) for the period	-	-	-	1,327	-	-	(12,687)	(11,360)
At 31 March 2019 (unaudited)	42,629	920,537	32,589	(18,776)	4,108	65,547	(387,689)	658,945

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

14. SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted an old share option scheme and terminated it pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 19 May 2011, and the Company adopted a new share options scheme at the same meeting. The purpose of both share option schemes is to enable the board of directors of the Company, at its discretion, to grant options to any eligible participants who include directors and employees as incentives or rewards for their contribution to the Group. Under both schemes, the directors of the Company may grant options to eligible participants, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Under the option scheme, a share option may be exercised in accordance with the terms of the scheme prior to the expiry of ten years from the date of acceptance. The total number of shares in respect of which options may be granted under the 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 2020 and 2019.

15. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

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

	Three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Short-term employee benefits	2,364	1,800
Post-employment benefits	18	18
	<u>2,382</u>	<u>1,818</u>

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

15. 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	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Related companies (Note 1)	Rental income	1,256	1,256
	Secretarial fee and other office expenses	39	35
	Brokerage commission income and other service charge income	2	–
Subsidiaries of a substantial shareholder of the Company (Note 2)	Lease payments	746	746
	Brokerage commission income and other service charge income	13	59

Notes:

1. Mr. Mung Hon Ting, Jackie, a close family member of Mr. Mung Kin Keung and Mr. Mung Bun Man, Alan, both of them are directors and shareholders of the Company, and Mr. Mung Kin Keung have beneficial interests in the related companies.
2. These companies are wholly-owned subsidiaries of Eternity Investment Limited, a company incorporated in Bermuda with limited liability and with its shares listed on the Main Board of the Stock Exchange. Eternity Investment Limited is a substantial shareholder with significant influence over the Company.

16. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 March 2020 and up to the date of this first quarterly report, the Group had the following material events:

- (a) Since the worldwide outbreak of the COVID-19 in the first quarter of 2020, the prevention and control of the COVID-19 has been going on around the world.

At present, the domestic securities market operates smoothly and the Group's operation is generally stable, while the COVID-19 epidemic may affect the operation of enterprises in certain countries, provinces, cities and certain industries, as well as the overall economic situation, and may have a further impact on the capital market, securities market, securities industry, travel business as well as certain businesses of the Group to a certain extent. The degree of impact will depend on the situation and duration of the epidemic prevention and control, and the implementation of national economic and industrial control policies.

The direction of deepening reform of the capital market remains unchanged, and the impact of the epidemic will not change the overall trend of the securities industry. The Group will continue to pay close attention to the development of the COVID-19 epidemic situation as well as the various control policies, assess and react actively to its impacts on the financial position and operating results of the Group.

- (b) A loan receivable with the principal amount of HK\$55,000,000 and accrued interest receivable of HK\$4,114,000 were due for payment on 9 April 2020. Having several discussions with the borrower, the borrower is seeking for postponement of repayment. Up to the date of this first quarterly report, the Group is in the course of negotiation with the borrower and yet to finalise a repayment proposal.

Other than those disclosed above, the Group had no material events for disclosure subsequent to 31 March 2020 and up to the date of this first quarterly report.

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 31 March 2020, the interests and short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any associated corporations, within the meaning of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long positions

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

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

Notes:

- 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.
- The percentage is calculated on the basis of 4,262,867,050 shares in issue as at 31 March 2020.

Other than 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 31 March 2020.

SHARE OPTION SCHEME

Pursuant to a special resolution passed at the annual general meeting held on 19 May 2011, a new share option scheme (the “**Option Scheme**”) was adopted for the purpose of providing incentive to eligible participants who contribute to the success of the Group’s operation. Unless otherwise cancelled or amended, the expiry date of the Option Scheme will be on 18 May 2021. Details of the Option Scheme are set out in note 14 of the section headed “Notes to the Quarterly Financial Information”.

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

As at 31 March 2020, the register of substantial shareholders/other persons maintained by the Company pursuant to section 336 of the SFO showed that the following shareholders, other than a Director or chief executive of the Company, had notified the Company of relevant interests in the issued share capital of the Company:

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

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

Notes:

1. Eternity Investment, a company listed on the Main Board of the Stock Exchange (stock code: 764). Eternity Finance Group Limited, a wholly-owned subsidiary of Eternity Investment, is interested in 1,237,750,000 shares in the Company. Eternity Investment is deemed to be interested in such 1,237,750,000 shares by virtue of the SFO.
2. Heng Tai Finance Limited is deemed to be interested in 695,652,173 shares in the Company through its interest in the convertible bonds in the principal amount of HK\$80,000,000 issued by the Company. Heng Tai Finance Limited is a wholly-owned subsidiary of Heng Tai Consumables Group Limited, a company incorporated in the Cayman Islands with limited liability and its issued shares are listed on the Main Board of the Stock Exchange (stock code: 197). Heng Tai Consumables Group Limited is deemed to be interested in such 695,652,173 shares by virtue of the SFO.
3. These shares are held by Excellent Mind which is owned as to 60% by Mr. Mung Kin Keung and 40% by Mr. Mung Bun Man, Alan, both of them are executive Directors, who are deemed to be interested in all the shares in which Excellent Mind is interested by virtue of the SFO.
4. The percentage is calculated on the basis of 4,262,867,050 shares in issue as at 31 March 2020.

Other than as disclosed above, the Company has not been notified of any interests in the Company's issued shares as at 31 March 2020 as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Other than as disclosed above, as at 31 March 2020 and to the best knowledge of the Directors, there was no person had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) currently comprises three independent non-executive Directors, namely Mr. Law Kwok Ho, Kenward (as chairman), Mr. Tsai Yung Chieh, David and Mr. Fung Wai Ching, with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the unaudited condensed consolidated results of the Group for the three months ended 31 March 2020 and is of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and any other applicable laws and has been adequately disclosed.

COMPETING INTERESTS

Other than as disclosed below, during the three months ended 31 March 2020, neither the Directors, the controlling shareholders of the Company nor their respective close associates (as defined under the GEM Listing Rules) had any interests in a business which competes or may compete with the business of the Group.

- (a) Mr. Cheung Kwok Wai, Elton, the chairman of the board of Directors (the “**Board**”) and an executive Director, has an indirect interest in approximately 15.29% of the issued shares of and is an executive director of Eternity Investment engaging in sale of financial assets, property investment, money lending, and design and sale of jewelry products. Therefore, Eternity Investment competes or may compete with the Group’s treasury management and money lending 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) and engaged in sales of toys and Chinese health products, money lending business, and investment in financial instruments. Therefore, China Healthwise Holdings Limited competes or may compete with the Group’s treasury management and money lending businesses.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Code on Securities Dealings**”). The Company, having made specific enquiry of all the Directors, confirmed that all the Directors have complied with the required standard of dealings as set out in the Code on Securities Dealings for the three months ended 31 March 2020.

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

The Company has not redeemed any of its shares during the three months ended 31 March 2020.

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

Cheung Kwok Wai, Elton

Chairman and Executive Director

Hong Kong, 13 May 2020

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