

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*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\$161,335,000 for the six months ended 30 June 2020 (2019: HK\$50,737,000), representing basic loss per share of HK3.78 cents (2019: HK1.19 cents). The significant increase in the loss attributable to owners of the Company was mainly due to (i) a HK\$10,386,000 decrease in service income from the provision of travel related services resulted from the outbreak of Novel Coronavirus Disease 2019 (the “**COVID-19**”) pandemic; (ii) a HK\$82,997,000 increase in loss allowance of expected credit loss (“**ECL**”) on loan and trade receivables as the forward-looking information indicating there has been an increase in credit risk caused by COVID-19 pandemic; and (iii) a HK\$20,300,000 increase in loss on fair value changes of investment properties.

Revenue and profitability

An analysis of the Group’s revenue for the six months ended 30 June 2020 and 2019 was as follows:

	Six months ended	
	2020	2019
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Services income from provision of travel related services	2,435	12,821
Interest income from money lending business	15,577	12,139
Net realised (loss) gain on securities investment	(11,657)	559
Revenue derived from financial services business	7,411	7,620
	13,766	33,139

For the six months ended 30 June 2020, the revenue of the Group amounted to HK\$13,766,000 (2019: HK\$33,139,000), comprised of (i) service income from the provision of travel related services of HK\$2,435,000 (2019: HK\$12,821,000); (ii) interest income from money lending business of HK\$15,577,000 (2019: HK\$12,139,000); (iii) net realised loss on securities investment of HK\$11,657,000 (2019: net realised gain of HK\$559,000); and (iv) revenue derived from financial services business of HK\$7,411,000 (2019: HK\$7,620,000) (including commission income from securities brokerage; interest income from margin financing and initial public offering (“**IPO**”) financing; handling and settlement income arising from securities brokerage; asset management fee income; and advisory fee income from corporate finance), representing a decrease of 58.5% as compared to HK\$33,139,000 for the six months ended 30 June 2019. The decrease was mainly attributable to the HK\$10,386,000 decrease in service income from the provision of travel related services resulted from the outbreak of COVID-19 pandemic; and the recognition of the net realised loss of HK\$11,657,000 on securities investment for the six months ended 30 June 2020, whereas a net realised gain of HK\$559,000 was recorded in the previous period. However, these decreases were partially offset by the HK\$3,438,000 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 six months ended 30 June 2020, approximately 17.7% or HK\$2,435,000 (2019: HK\$12,821,000) 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\$15,577,000 for the six months ended 30 June 2020 (2019: HK\$12,139,000), representing an increase of approximately 28.3% as compared to that of last corresponding period.

For treasury management business, a net realised loss of HK\$11,657,000 was incurred from the sale of securities investment for the six months ended 30 June 2020 (2019: net realised gain of HK\$559,000).

For the financial services business, revenue of HK\$7,411,000 (2019: HK\$7,620,000), representing approximately 53.8% of the total revenue for the six months ended 30 June 2020, was generated, including (i) commission income from securities brokerage of HK\$1,409,000 (2019: HK\$2,551,000); (ii) interest income from margin financing of HK\$3,290,000 (2019: HK\$1,625,000); (iii) interest income from IPO financing of HK\$16,000 (2019: Nil); (iv) handling and settlement income arising from securities brokerage of HK\$2,532,000 (2019: HK\$3,104,000); (v) asset management fee income of HK\$64,000 (2019: HK\$340,000); and (vi) advisory fee income from corporate finance of HK\$100,000 (2019: Nil).

Other income, other gains and losses

Other income, other gains and losses for the six months ended 30 June 2020 amounted to a net income of HK\$7,337,000, representing an increase of 59.6% as compared to the net income of HK\$4,597,000 for the six months ended 30 June 2019. The increase was mainly attributable to a HK\$4,086,000 subsidy given by the Singapore government under Jobs Support Scheme as a wage support to employers during the outbreak of the COVID-19 pandemic, which was partially offset by the absence of the previous period's incentive income of HK\$1,563,000 from ticketing system generated from the Group's travel business.

Expenditures

For the six months ended 30 June 2020, staff costs amounted to HK\$23,476,000 (2019: HK\$27,788,000). Depreciation expenses amounted to HK\$4,617,000 (2019: HK\$4,255,000). Other expenses amounted to HK\$8,233,000 (2019: HK\$11,522,000).

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

Fair value changes of investment properties

At the end of the reporting period, the Group measured its investment properties in Hong Kong at fair values based on a valuation prepared by APAC Appraisal and Consulting Limited, an independent professional qualified valuer not connected to the Group, and recognised a loss of HK\$26,700,000 (2019: HK\$6,400,000) arising on fair value changes of investment properties.

Loss allowance of ECL on loan receivables

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

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

Having performed the impairment assessment, a loss allowance of ECL on loan receivables of HK\$37,929,000 (2019: HK\$10,061,000) was recognised for the six months ended 30 June 2020. This significant increase was due to (i) a customer failing to repay a loan receivable with a principal amount of HK\$55,000,000 and the accrued interest of HK\$4,114,000; and (ii) the forward-looking information indicating there has been a significant increase in credit risk caused by the COVID-19 pandemic. Up to the date of this report, the customer has not made any repayment of the outstanding principal amount of the loan and the accrued interest thereon. However, the Company has been informed a settlement arrangement would be proposed in the third quarter of 2020. In view of the significant increase in credit risk in respect of the loan receivable from that customer, it resulted in a change of the ECL assessment from 12-month basis to lifetime basis and a HK\$17,737,000 loss allowance of ECL was recognised in respect of the loan receivable from that customer for the six months ended 30 June 2020. At 30 June 2020, the assessments of the ECL on three loan receivables (30 June 2019: two loan receivables) were based on lifetime ECL and the rest of the loan receivables were based on 12-month ECL.

Loss allowance of ECL on trade receivables

A loss allowance of ECL on trade receivables of the travel business in Singapore of HK\$66,636,000 (2019: HK\$11,507,000) was recognised for the six months ended 30 June 2020. Given that travel business is one of the worst-hit sectors by the COVID-19 pandemic, a substantial loss allowance of ECL on trade receivables from the Group's customers, which are local travel services providers, was made due to the unknown duration of the COVID-19 pandemic and travel restrictions. Accordingly, the loss allowance of ECL on trade receivables increased by 479.1% in the six months ended 30 June 2020 as compared to the correspondence period in 2019.

The loss allowance of ECL on trade receivables of the travel business in Singapore was determined based on the assessment performed by Norton Appraisals Holdings Limited ("**Norton Appraisals**"), an independent professional qualified valuer not connected to the Group. The assessment was carried out in accordance with the definition and standard laid down by HKFRS 9.

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

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

Impairment loss on a joint venture

As at 30 June 2020, in view of the fact that both actual sales and profits generated from the joint venture of the travel business in Malaysia have fallen below expectation due to the COVID-19 pandemic and slowing global and local economy in Malaysia, the Group, with the assistance of Ascent Partners Valuation Service Limited (“**Ascent Partners**”), an independent professional qualified valuer not connected to the Group, performed an impairment assessment on the interest in the joint venture. The impairment assessment is calculated based on the recoverable amounts of the assets or its cash generating unit of the travel business in Malaysia.

The management expects the joint venture in travel business in Malaysia to be affected by the COVID-19 pandemic continually. The nearly-three-month lockdown of Malaysia by restricting all visitors entering into Malaysia posed a negative impact on the financial performance of the joint venture and might further suppress its upcoming financial results, future cash flows, and consequently the recoverable amount of the interest in the joint venture. As a result, the management has revised the cash flow projections to reflect the latest economic conditions as at 30 June 2020.

With reference to the valuation report prepared by Ascent Partners, the recoverable amount of the interest in the joint venture as at 30 June 2020 is estimated to be nil (31 December 2019: HK\$6,348,000). On this basis, an impairment loss on the interest in the joint venture of HK\$3,248,000 was recognised for the six months ended 30 June 2020 (2019: Nil) and the interest in the joint venture was fully impaired as at 30 June 2020.

Finance costs

For the six months ended 30 June 2020, the finance costs amounted to HK\$8,943,000 (2019: HK\$5,856,000), out of which (i) HK\$3,989,000 was related to the interest expense on other borrowing (2019: HK\$1,008,000); (ii) HK\$4,286,000 was related to the imputed interest expense on the convertible bonds issued on 13 November 2018 (2019: HK\$4,175,000); (iii) HK\$288,000 was related to the imputed interest expenses on lease liabilities (2019: HK\$415,000); and (iv) HK\$380,000 was related to the interest expenses on short term bank borrowings (2019: HK\$258,000). The increase was mainly due to the increase in the interest expense on other borrowing in the six months ended 30 June 2020 as the loan of HK\$100,000,000 granted by a finance company was drawn in May 2019.

Share of loss of a joint venture

On 30 July 2013, the Group entered into an agreement with a venturer to form a joint venture which principally engages in 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.

During the six months ended 30 June 2020, the Group shared a loss of HK\$2,590,000 from the joint venture (2019: HK\$2,065,000). The loss from the joint venture was mainly due to the decrease in revenue resulted from the nearly-three-month lockdown of Malaysia with the order of Malaysia Government for curbing the spread of the COVID-19 pandemic.

BUSINESS REVIEW

Travel business

During the six months ended 30 June 2020, the Group's travel business generated revenue of HK\$2,435,000 (2019: HK\$12,821,000), a 81.0% decrease as compared to last corresponding period. Such significant decrease was due to the outbreak of the COVID-19 pandemic. Most of the operating activities of the travel business have significantly reduced due to the travel restrictions, nationwide lockdowns and quarantine measures adopted by the governments around the world.

As at 30 June 2020, the Group had gross trade receivables from travel business in Singapore, before accumulated loss allowance of ECL, of approximately HK\$130,163,000 (31 December 2019: HK\$149,567,000). During the six months ended 30 June 2020, a loss allowance of ECL on trade receivables of HK\$66,636,000 (2019: HK\$11,507,000) was provided, based on the valuation prepared by Norton Appraisals. As at 30 June 2020, the accumulated loss allowance of ECL was amounted to HK\$102,717,000 (31 December 2019: HK\$36,081,000). Details of the loss allowance of ECL on the trade receivables are disclosed in the section headed "Loss allowance of ECL on trade receivables" under "FINANCIAL REVIEW" above.

Money lending business

During the six months ended 30 June 2020, the Group's money lending business generated interest income on loans of HK\$15,577,000 (2019: HK\$12,139,000), a 28.3% 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 ECL and accrued interest receivables) from HK\$242,435,000 in the six months ended 30 June 2019 to HK\$320,252,000 in the six months ended 30 June 2020. During the six months ended 30 June 2020, the Group did not grant any new loans to its customers but received repayment of HK\$1,026,000 from its customers. As at 30 June 2020, the Group's loan receivables together with accrued interest receivables (before accumulated loss allowance of ECL) amounted to HK\$327,610,000 (31 December 2019: HK\$325,269,000).

During the six months ended 30 June 2020, two customers have failed to repay the outstanding principal amount of the loan and/or the accrued interest in the aggregate amount of HK\$60,244,000 pursuant to the respective loan agreements, no repayment has been made up to the date of this report.

During the six months ended 30 June 2020, the loss allowance of ECL on loan receivables of HK\$37,929,000 (2019: HK\$10,061,000) was provided based on the valuation prepared by Grant Sherman. As at 30 June 2020, the accumulated loss allowance of ECL was HK\$63,995,000 (31 December 2019: HK\$26,066,000). Details of the loss allowance of ECL on the loan receivables are disclosed in the section headed “Loss allowance of ECL on loan receivables” under “FINANCIAL REVIEW” above.

During the six months ended 30 June 2020, return on loan receivables (before accumulated loss allowance of ECL and accrued interest receivables) is 4.9% (2019: 5.0%).

Treasury management business

During the six months ended 30 June 2020 and 2019, the Group did not acquire any securities investment. In addition, the Group disposed of securities investment at the market prices of HK\$23,949,000 (2019: HK\$8,494,000), with the carrying amounts plus transaction costs of HK\$35,606,000 (2019: HK\$8,070,000). The Group did not receive any dividend income from its securities investment (2019: HK\$135,000). As a result, the Group recorded a net realised loss of HK\$11,657,000 (2019: net realised gain of HK\$559,000) on securities investment. As at 30 June 2020, the Group remeasured its securities investment at market prices and recorded a net unrealised loss of HK\$5,221,000 (2019: HK\$9,567,000) arising on changes in fair values of securities investment.

Financial services business

During the six months ended 30 June 2020, the revenue in this segment decreased by 2.7% to HK\$7,411,000 (2019: HK\$7,620,000).

Commission income from securities brokerage for the six months ended 30 June 2020 decreased by 44.8% to HK\$1,409,000 (2019: HK\$2,551,000). This decrease was due to the decrease in both transaction volumes and values of securities dealings.

Interest income from margin financing for the six months ended 30 June 2020 increased by 102.5% to HK\$3,290,000 (2019: HK\$1,625,000). The total outstanding loan of securities margin financing as at 30 June 2020 amounted to HK\$55,476,000 (2019: HK\$40,839,000). No impairment loss on margin clients receivables was required for the six months ended 30 June 2020 (2019: Nil).

Interest income from IPO financing for the six months ended 30 June 2020 amounted to HK\$16,000 (2019: Nil).

The handling and settlement income arising from securities brokerage for the six months ended 30 June 2020 decreased by 18.4% to HK\$2,532,000 (2019: HK\$3,104,000).

The asset management fee income for the six months ended 30 June 2020 decreased by 81.2% to HK\$64,000 (2019: HK\$340,000). The decrease was due to the decrease in clients' net asset values maintained in the Group's discretionary fund management accounts.

On 11 March 2019, Global Mastermind Securities Limited ("**Global Mastermind Securities**"), an indirect wholly-owned subsidiary of the Company, has been licensed to carry on Type 6 (Advising on corporate finance) regulated activity under the Securities and Futures Ordinance. During the six months ended 30 June 2020, the Group recognised advisory fee income of HK\$100,000 (2019: Nil) from the provision of financial advisory services.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained sufficient working capital during the six months ended 30 June 2020. As at 30 June 2020, the working capital of the Group, calculated by current assets less current liabilities, was HK\$213,533,000 (31 December 2019: HK\$386,457,000).

As at 30 June 2020, the Group's current ratio was 1.70 times (31 December 2019: 2.3 times), calculated by current assets of HK\$517,407,000 (31 December 2019: HK\$684,626,000) divided by current liabilities of HK\$303,874,000 (31 December 2019: HK\$298,169,000). The decrease in current ratio was mainly attributable to (i) the decrease in trade receivables resulted from the recognition of the loss allowance of ECL on trade receivables of HK\$66,636,000; and (ii) the reclassification of loan receivable of HK\$48,000,000 from current assets to non-current assets following the extension of the repayment date of a loan for two years.

As at 30 June 2020, the Group's gearing ratio, expressed as a percentage of total borrowings, including the liability component of convertible bonds, lease liabilities, bank and other borrowings, over equity attributable to owners of the Company, was 47.6% (31 December 2019: 36.7%). The increase was mainly attributable to the decrease in equity attributable to owners of the Company.

During the six months ended 30 June 2020, net cash generated from operating activities amounted to HK\$41,236,000 (2019: net cash used in operating activities of HK\$106,409,000). Net cash generated from investing activities was HK\$104,000 (2019: HK\$47,000). Net cash used in financing activities amounted to HK\$14,834,000 (2019: net cash generated from financing activities of HK\$106,867,000). As a result, cash and cash equivalents of the Group as at 30 June 2020 was HK\$123,412,000 (31 December 2019: HK\$97,031,000). The increase in cash and cash equivalent was mainly attributable to the disposal of securities investment at the market prices of HK\$23,949,000 during the six months ended 30 June 2020.

CAPITAL STRUCTURE

As at 30 June 2020, the Company has 4,262,867,050 shares of HK\$0.01 each (the “**Shares**”) in issue (31 December 2019: 4,262,867,050 shares).

On 16 May 2019, a loan of HK\$100,000,000 was granted by a finance company to the Company, which was interest bearing at 8.00% per annum, secured by a personal guarantee given by Mr. Cheung Kwok Wai, Elton, the chairman of the board of Directors (the “**Board**”) and an executive Director, and matured on 15 May 2020. On 22 May 2020, a supplemental agreement was entered into between both parties to extend the final repayment date of the loan agreement to 13 November 2020.

As at 30 June 2020, the total borrowings of the Group amounted to HK\$215,820,000 (31 December 2019: HK\$226,222,000), representing (i) the liability component of the convertible bonds of HK\$79,170,000 (31 December 2019: HK\$78,058,000); (ii) the other borrowing of HK\$100,000,000 (31 December 2019: HK\$100,000,000), which is repayable within one year; (iii) the lease liabilities of HK\$7,796,000 (31 December 2019: HK\$12,183,000); and (iv) the short-term bank borrowings of HK\$28,854,000 (31 December 2019: HK\$35,981,000), which are repayable within one year.

EXCHANGE RATE RISK

Foreign currency transactions have been translated into the functional currencies using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the end of the reporting period were recognised in the profit or loss.

In the event of fluctuating foreign exchange rates, there is a risk exposure to that settlement to suppliers or payment from customers may not be reconciled. The exposed amount of foreign currencies would be monitored regularly, forward contracts would be entered for hedging the risks if considered necessary.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the total number of employees of the Group was 99.

The Group fixes and reviews the emoluments of its Directors and staff based on the qualification, experience, performance and the market rates from time to time so as to maintain the remunerations of the Directors and staff at a competitive level. Salary increment is normally approved annually or by special adjustment depending on length of services and individual performance. In addition to salaries, the Group provides employee benefits such as medical insurance and provident funds. Moreover, discretionary bonus and share options will be paid or granted to employees based on the Group's and individual performances.

The Group makes contributions to the Central Provident Fund Scheme in Singapore and the Mandatory Provident Fund in Hong Kong for all qualifying employees in accordance with the statutory requirements in both territories.

PLEDGE OF OR RESTRICTIONS ON ASSETS

Pledge of assets

As at 30 June 2020 and 31 December 2019, details of the banking facilities available to the Group and the corresponding pledge of assets are as follows:

- (a) As at 30 June 2020, the net carrying amount of trade receivables relating to travel business in Singapore amounting to Singapore Dollar ("**SG\$**") 4,934,000 (equivalent to approximately HK\$27,446,000) (31 December 2019: SG\$19,647,000 (equivalent to approximately HK\$113,486,000)) and deposit and prepayment for a life insurance policy of United States dollars ("**US\$**")889,000 (equivalent to approximately HK\$6,892,000) (31 December 2019: US\$899,000 (equivalent to approximately HK\$7,010,000)) have been pledged to a bank in Singapore by way of a floating charge.

The bank has provided the following banking facilities to a subsidiary of the Company in Singapore for travel business:

	30 June 2020		31 December 2019	
	Facility limit <i>HK\$'000</i> (Unaudited)	Utilised amount <i>HK\$'000</i> (Unaudited)	Facility limit <i>HK\$'000</i> (Audited)	Utilised amount <i>HK\$'000</i> (Audited)
Accounts receivables financing and commercial card guarantee in an aggregate amount of approximately SG\$5,600,000 (31 December 2019: SG\$5,600,000), of which an amount of SG\$4,092,000 (31 December 2019: SG\$5,145,000) was utilised	31,151	22,764	32,347	29,718
Life insurance premium financing loan and term loan in an aggregate amount of approximately US\$854,000 (31 December 2019: US\$854,000), of which an amount of US\$792,000 (31 December 2019: US\$845,000) was utilised	6,618	6,136	6,660	6,592
	37,769	28,900	39,007	36,310

- (b) A bank in Hong Kong has provided a shares overdraft facility to a subsidiary of the Company in Hong Kong for securities brokerage business in an aggregate amount of HK\$10,000,000 as at 30 June 2020 (31 December 2019: HK\$10,000,000). No amount of the shares overdraft facility has been utilised and no securities have been pledged to the bank as at 30 June 2020 and 31 December 2019.

As at 30 June 2020, cash collateral placed by the Group and included in other receivables of approximately SG\$640,000 (equivalent to approximately HK\$3,560,000) (31 December 2019: SG\$640,000 (equivalent to approximately HK\$3,697,000)), was pledged for financial guarantees of SG\$3,216,000 (equivalent to approximately HK\$17,887,000) (31 December 2019: SG\$3,216,000 (equivalent to approximately HK\$18,574,000)) given by insurance companies in favour of the Group's customers of the travel business as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom financial guarantees have been given, such customers may demand the respective insurance companies to pay to them the sum stipulated in such demand. The Group will become liable to compensate such insurance companies accordingly. The financial guarantees will be released upon completion of the contract works.

At the end of the reporting period, the Group does not consider it is probable that a claim will be made against the Group.

Restrictions on assets

As at 30 June 2020, lease liabilities of HK\$7,796,000 (31 December 2019: HK\$12,183,000) are recognised with related carrying amounts of right-of-use assets of HK\$8,135,000 (31 December 2019: HK\$12,589,000). The lease agreements do not impose any covenants other than the security deposits in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no material contingent liabilities (31 December 2019: Nil).

OUTLOOK

The travel business environment is continuing to be challenging and uncertain. The Group's travel business in Singapore is definitely impacted in the first half of 2020 as most of the countries around the globe have adopted severe travel restrictions to contain the COVID-19 pandemic. Although Singapore has progressively lifted the circuit breaker measures and businesses have gradually resumed operations since June 2020, short-term visitors are not allowed entry to Singapore, except those coming in under the green/fast lane arrangements or with special prior approval. As the number of COVID-19 cases in some countries has continued to rise, the Singapore Government has tightened rules on travelers who had been in coronavirus hotspots, mandating quarantine in dedicated facilities for them in July 2020. At present, the gathering sizes for social, business or events still have to be limited in order to prevent large clusters from arising. The Directors expect that the service income from the Group's travel business will continue to be dampened in the second half of 2020. The Directors will cautiously monitor the development of the COVID-19 pandemic, adopt appropriate measures and business strategies in response to the changing market conditions.

The outbreak of the COVID-19 pandemic and the continuous trade conflict between Mainland China and the United States have further intensified the economic contraction in Hong Kong. The Directors anticipate that the equity market in Hong Kong will continue to be unstable and volatile until the relief of the tension between Mainland China and the United States. The Group will adopt a conservative investment approach towards its treasury management business in the coming quarters. The Directors will cautiously monitor the equity market in Hong Kong and the fundamental of each of the securities investment portfolio mix from time to time and realise the securities investment held by the Group into cash as and when appropriate.

Given that the effect of the COVID-19 pandemic on the global economy is unknown and the credit risk on new and existing loans increases, the Group will slow down the pace of its money lending business in the second half of 2020. The Directors expect the interest income on loans generated from the Group's money lending business in the second half of 2020 will be more or less similar to that of 2019. The Group will continue to adopt a cautious approach in credit assessments and new loans approval in order to mitigate the credit risk.

Due to the outbreak of COVID-19 pandemic, the investors' risk averse sentiment has been building up and resulting in a decrease in the transaction volumes and values in the Group's provision of financial services business. The Directors expect the performance of the Group's provision of financial services in the second half of 2020 may be mostly the same as the first half of 2020 if the uncertainties from the outbreak persist. The Group will adopt a more cautious approach to the credit control of its margin financing business. Following the grant of the licence of Type 6 (Advising on corporate finance) regulated activity in March 2019, the Group's corporate finance advisory business commenced to generate revenue in the third quarter of 2019. The Group will seek for and allocate more resources to develop such business.

EVENTS AFTER THE REPORTING PERIOD

The outbreak of COVID-19 pandemic and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly affect the operations of the Group. The Group has significantly reduced the operating activities of its travel business since March 2020 to the date of this report as the results of travel restrictions imposed by many countries to contain the spread of the pandemic.

The COVID-19 pandemic has a negative impact on the capital market and securities industry to certain extent. However, the degree of impact will depend on the situation and duration of the epidemic prevention and control. The Group will continue to pay close attention to the development of the COVID-19 pandemic as well as the various control policies, assess and react actively to its impacts on the financial position and operating results of the Group.

Other than those disclosed above, the Group had no material events for disclosure subsequent to 30 June 2020 and up to the date of this report.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Moore Stephens CPA Limited
801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong
T +852 2375 3180
F +852 2375 3828
www.moore.hk

大
華
馬
施
雲
會
計
師
事
務
所
有
限
公
司

TO THE BOARD OF DIRECTORS OF GLOBAL MASTERMIND HOLDINGS LIMITED

環球大通集團有限公司*

(incorporated in the Cayman Islands with limited liability)

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 22 to 52, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on GEM 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 and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. 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.

* For identification purpose only

TO THE BOARD OF DIRECTORS OF GLOBAL MASTERMIND HOLDINGS LIMITED *(Continued)*

環球大通集團有限公司*

(incorporated in the Cayman Islands with limited liability)

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 inquiries, 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 HKAS 34.

Moore Stephens CPA Limited

Certified Public Accountants

Registered Public Interest Entity Auditors

Lai Hung Wai

Practising Certificate Number: P06995

Hong Kong, 13 August 2020

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	NOTES	Three months ended 30 June		Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Service income from provision of travel related services		93	6,688	2,435	12,821
Interest income from money lending business	3	6,904	6,672	15,577	12,139
Commission income from securities brokerage		710	1,337	1,409	2,551
Interest income from margin financing		1,582	1,076	3,290	1,625
Interest income from initial public offering financing		16	–	16	–
Handling and settlement income arising from securities brokerage		1,286	1,815	2,532	3,104
Asset management fee income		37	174	64	340
Advisory fee income from corporate finance		100	–	100	–
Net realised (loss) gain on securities investment	4	(11,657)	(359)	(11,657)	559
Net unrealised gain (loss) on securities investment	4	6,240	(4,541)	(5,221)	(9,567)
Other income, other gains and losses	6	3,730	3,241	7,337	4,597
Staff costs		(10,140)	(12,896)	(23,476)	(27,788)
Depreciation expenses	10	(2,318)	(2,839)	(4,617)	(4,255)
Loss on fair value changes of investment properties	13	(26,700)	(6,400)	(26,700)	(6,400)
Impairment loss on interest in a joint venture	14	(3,248)	–	(3,248)	–
Impairment loss on loan receivables	15	(37,929)	(10,061)	(37,929)	(10,061)
Impairment loss on trade receivables	16	(66,636)	(11,507)	(66,636)	(11,507)
Other expenses	7	(4,230)	(5,464)	(8,233)	(11,522)
Finance costs	8	(4,477)	(3,498)	(8,943)	(5,856)
Share of loss of a joint venture		(2,590)	(2,464)	(2,590)	(2,065)
		<u>(149,227)</u>	<u>(39,026)</u>	<u>(166,490)</u>	<u>(51,285)</u>
Loss before tax					
Income tax credit	9	5,720	976	5,155	548
		<u>(143,507)</u>	<u>(38,050)</u>	<u>(161,335)</u>	<u>(50,737)</u>
Loss for the period	10				

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

For the six months ended 30 June 2020

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Other comprehensive income (expense) for the period				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange differences arising on translation of foreign operations	3,006	(324)	(1,840)	724
Share of exchange difference of a joint venture	113	(245)	(588)	34
Other comprehensive income (expense) for the period	3,119	(569)	(2,428)	758
Total comprehensive expense for the period	(140,388)	(38,619)	(163,763)	(49,979)
Loss for the period attributable to owners of the Company	(143,507)	(38,050)	(161,335)	(50,737)
Total comprehensive expense attributable to owners of the Company	(140,388)	(38,619)	(163,763)	(49,979)
Loss per share (HK cents)				
Basic	12 (3.37)	(0.89)	12 (3.78)	(1.19)
Diluted	12 (3.37)	(0.89)	12 (3.78)	(1.19)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	494	671
Right-of-use assets	13	8,135	12,589
Investment properties	13	154,400	181,100
Interest in a joint venture	14	–	6,426
Loan receivables	15	60,281	22,125
Deposit and prepayment for a life insurance policy		6,601	6,702
Deferred tax assets		10,559	4,301
		240,470	233,914
CURRENT ASSETS			
Trade and other receivables	16	126,984	221,952
Loan receivables	15	203,334	277,078
Financial assets at fair value through profit or loss	17	20,688	61,515
Bank trust account balances		42,989	27,050
Bank balances and cash		123,412	97,031
		517,407	684,626
CURRENT LIABILITIES			
Trade and other payables	18	86,584	69,741
Contract liabilities		1,198	1,573
Tax payables		1,144	4,110
Lease liabilities		6,924	8,706
Bank borrowings	19	28,854	35,981
Other borrowing	20	100,000	100,000
Convertible bonds	21	79,170	78,058
		303,874	298,169
NET CURRENT ASSETS			
		213,533	386,457
TOTAL ASSETS LESS CURRENT LIABILITIES			
		454,003	620,371

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2020

	30 June 2020	31 December 2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
<i>NOTE</i>		
NON-CURRENT LIABILITIES		
Lease liabilities	<u>872</u>	<u>3,477</u>
NET ASSETS	<u>453,131</u>	<u>616,894</u>
CAPITAL AND RESERVES		
Share capital	<i>22</i> <u>42,629</u>	42,629
Share premium and reserves	<u>410,502</u>	<u>574,265</u>
	<u>453,131</u>	<u>616,894</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>(Note)</i>	Exchange reserve <i>HK\$'000</i>	Convertible bonds equity reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	-	-	-	-	-	-	(161,335)	(161,335)
Other comprehensive expense for the period	-	-	-	(2,428)	-	-	-	(2,428)
Total comprehensive expense for the period	-	-	-	(2,428)	-	-	(161,335)	(163,763)
At 30 June 2020 (unaudited)	42,629	920,537	32,589	(21,349)	4,108	65,547	(590,930)	453,131
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	-	-	-	-	-	-	(50,737)	(50,737)
Other comprehensive income for the period	-	-	-	758	-	-	-	758
Total comprehensive income (expense) for the period	-	-	-	758	-	-	(50,737)	(49,979)
At 30 June 2019 (unaudited)	42,629	920,537	32,589	(19,345)	4,108	65,547	(425,739)	620,326

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	945	(2,069)
Decrease (increase) in trade and other receivables	24,309	(31,361)
Increase in bank trust account balances	(15,939)	(6,130)
Loans advanced to customers of money lending business	–	(90,000)
Loan repayments from customers of money lending business	1,026	488
Increase in loan interest receivables from customers of money lending business	(3,366)	(1,086)
Decrease in financial assets at fair value through profit or loss	23,949	8,494
Increase in trade and other payables	14,712	15,757
(Decrease) increase in contract liabilities	(332)	359
	<hr/>	<hr/>
Cash generated from (used in) operations	45,304	(105,548)
Income tax paid	(4,068)	(861)
	<hr/>	<hr/>
Net cash from (used in) operating activities	41,236	(106,409)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(148)	(24)
Interest received	252	71
	<hr/>	<hr/>
Net cash from investing activities	104	47
	<hr/>	<hr/>
FINANCING ACTIVITIES		
New other borrowing raised	–	100,000
New bank borrowings raised	–	26,235
Repayments of bank borrowings	(5,908)	(14,618)
Repayments of lease liabilities	(4,269)	(3,069)
Interest paid	(4,657)	(1,681)
	<hr/>	<hr/>
Net cash (used in) from financing activities	(14,834)	106,867
	<hr/>	<hr/>
Net increase in cash and cash equivalents	26,506	505
Cash and cash equivalents at 1 January	97,031	146,440
Effect of foreign exchange rate changes	(125)	(46)
	<hr/>	<hr/>
Cash and cash equivalents at 30 June, represented by bank balances and cash	123,412	146,899
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and 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 “**GEM Rules**”). The condensed consolidated financial statements do not include all the information required for a complete set of Hong Kong Financial Reporting Standards (“**HKFRSs**”) financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

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

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

3. INTEREST INCOME FROM MONEY LENDING BUSINESS

During the six months ended 30 June 2020, the Group generated interest income of HK\$15,577,000 (for the six months ended 30 June 2019: HK\$12,139,000) from money lending business.

4. 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 when the Group's right to receive the dividends is established. Net unrealised gain or loss represents the remaining fair value changes on the financial assets at fair value through profit or loss.

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net realised (loss) gain on financial assets at fair value through profit or loss:				
Proceeds from sale of financial assets at fair value through profit or loss	23,949	3,067	23,949	8,494
Carrying amount of financial assets at fair value through profit or loss	(35,606)	(3,561)	(35,606)	(8,070)
	(11,657)	(494)	(11,657)	424
Dividend income from securities investment	-	135	-	135
	(11,657)	(359)	(11,657)	559
Net unrealised gain (loss) on financial assets at fair value through profit or loss	6,240	(4,541)	(5,221)	(9,567)
	(5,417)	(4,900)	(16,878)	(9,008)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

5. OPERATING SEGMENTS

The following is an analysis of the Group's revenue and results by operating segments, based on information provided to the chief operating decision maker ("CODM") representing the board of directors of the Company, for the purpose of resource allocation and assessment of segment performance focuses on the types of services provided or income derived from business engaged in. This is also the basis upon which the Group is arranged and organised.

During the second half of the year ended 31 December 2019, the Group commenced the operation of corporate finance advisory business in Hong Kong. This resulted a new operating segment in the second half of the year ended 31 December 2019.

The Group's operations are currently organised into six (for the six months ended 30 June 2019: five) reportable and operating segments under HKFRS 8 "Operating Segments", namely travel business, treasury management business, money lending business, brokerage business, asset management business and corporate finance advisory business (for the six months ended 30 June 2019: travel business, treasury management business, money lending business, brokerage business and asset management business).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

5. OPERATING SEGMENTS (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

	Segment revenue		Segment (losses) profits	
	Six months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Travel business	2,435	12,821	(73,528)	(15,384)
Treasury management business	(11,657)	559	(16,884)	(9,011)
Money lending business	15,577	12,139	(25,037)	(2,553)
Brokerage business	7,247	7,280	(252)	(2,937)
Asset management business	64	340	29	192
Corporate finance advisory business	100	-	(842)	-
Total	<u>13,766</u>	<u>33,139</u>	<u>(116,514)</u>	<u>(29,693)</u>
Impairment loss on interest in a joint venture			(3,248)	-
Share of loss of a joint venture			(2,590)	(2,065)
Loss on fair value changes of investment properties			(26,700)	(6,400)
Unallocated income			2,930	2,571
Unallocated expenses			(15,213)	(15,150)
Loss for the period			<u>(161,335)</u>	<u>(50,737)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

5. OPERATING SEGMENTS (Continued)

Segment revenue and results (Continued)

	Segment revenue		Segment (losses) profits	
	Three months ended 30 June		Three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Travel business	93	6,688	(70,055)	(11,475)
Treasury management business	(11,657)	(359)	(5,420)	(4,902)
Money lending business	6,904	6,672	(28,946)	(5,404)
Brokerage business	3,594	4,228	(16)	(1,190)
Asset management business	37	174	16	92
Corporate finance advisory business	100	–	(358)	–
Total	(929)	17,403	(104,779)	(22,879)
Impairment loss on interest in a joint venture			(3,248)	–
Share of loss of a joint venture			(2,590)	(2,464)
Loss on fair value changes of investment properties			(26,700)	(6,400)
Unallocated income			1,381	1,257
Unallocated expenses			(7,571)	(7,564)
Loss for the period			(143,507)	(38,050)

All of the segment revenue reported above are from external customers.

Segment (losses) profits represent the (losses incurred) profits earned by each segment without allocation of impairment loss on interest in a joint venture, share of loss of a joint venture, loss on fair value changes of investment properties, unallocated income (which mainly includes bank interest income of head office and rental income) and unallocated expenses (which mainly include central administration costs and directors' salaries of head office). This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

5. OPERATING SEGMENTS (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segments:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
<i>Segment assets</i>		
Travel business	66,891	158,424
Treasury management business	20,774	61,597
Money lending business	286,286	314,411
Brokerage business	125,087	120,037
Asset management business	20,082	10,873
Corporate finance advisory business	411	164
	<hr/>	<hr/>
Total reportable segment assets	519,531	665,506
Interest in a joint venture	–	6,426
Unallocated bank balances and cash	83,501	65,005
Unallocated assets	154,845	181,603
	<hr/>	<hr/>
Consolidated assets	757,877	918,540
	<hr/> <hr/>	<hr/> <hr/>
<i>Segment liabilities</i>		
Travel business	56,683	72,460
Money lending business	4,854	10,092
Brokerage business	42,637	31,032
Asset management business	10,420	1,648
Corporate finance advisory business	354	109
	<hr/>	<hr/>
Total reportable segment liabilities	114,948	115,341
Unallocated liabilities	189,798	186,305
	<hr/>	<hr/>
Consolidated liabilities	304,746	301,646
	<hr/> <hr/>	<hr/> <hr/>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interest in a joint venture, certain property, plant and equipment, investment properties, certain deposits and prepayments and certain bank balances and cash.
- all liabilities are allocated to operating segments other than other borrowing, convertible bonds and certain accruals and other payables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

6. OTHER INCOME, OTHER GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Government grants in respect of COVID-19-related subsidies:				
– Jobs Support Scheme from the Singapore government	2,433	–	4,086	–
– Employment Support Scheme from the Hong Kong government	280	–	280	–
– Anti-epidemic Fund from the Hong Kong government	50	–	50	–
Rental income from related parties (note 25)	1,257	1,257	2,513	2,513
Bank interest income	–	13	180	71
Employment credits from government grants in Singapore	91	(14)	105	(1)
Interest income from deposit for a life insurance policy	37	–	72	–
Commercial credit card rebate	14	137	17	262
Incentive income from ticketing system	–	1,563	–	1,563
Net exchange (loss) gain	(432)	245	(78)	49
Others	–	40	112	140
	3,730	3,241	7,337	4,597

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

7. OTHER EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Handling fee and commission arising from brokerage business	1,577	2,346	3,023	3,991
Legal and professional fees	471	743	743	1,447
Telecommunication expenses	254	92	515	359
Repair and maintenance expenses	184	200	355	389
Rental expenses	176	136	348	530
Travelling expenses	51	564	286	972
Bank charges	58	279	217	956
Selling expenses	29	117	150	233
Premium and other charges on a life insurance policy	74	–	147	–
Others	1,356	987	2,449	2,645
	4,230	5,464	8,233	11,522

8. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Imputed interest expense on convertible bonds (note 21)	2,155	2,099	4,286	4,175
Interest on other borrowing	1,994	1,008	3,989	1,008
Interest on short term bank borrowings	200	89	380	258
Interest expenses on lease liabilities	128	302	288	415
	4,477	3,498	8,943	5,856

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

9. INCOME TAX CREDIT

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
The tax charge (credit) comprises:				
Hong Kong Profits Tax				
– current period	558	684	1,123	1,112
– overprovision in prior periods	(20)	–	(20)	–
Deferred taxation				
– current period	(6,258)	(1,660)	(6,258)	(1,660)
	<u>(5,720)</u>	<u>(976)</u>	<u>(5,155)</u>	<u>(548)</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 for both periods has been made as its subsidiaries operating in Singapore had no assessable profits for both periods.

10. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following items:

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	157	354	308	880
Depreciation of right-of-use assets	2,161	2,485	4,309	3,375
Total depreciation expenses	<u>2,318</u>	<u>2,839</u>	<u>4,617</u>	<u>4,255</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

11. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the six months ended 30 June 2020 and 2019 nor has any dividend been proposed since the end of both reporting periods.

12. 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 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss				
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(143,507)</u>	<u>(38,050)</u>	<u>(161,335)</u>	<u>(50,737)</u>
	Three months ended 30 June		Six months ended 30 June	
	2020 '000 (Unaudited)	2019 '000 (Unaudited)	2020 '000 (Unaudited)	2019 '000 (Unaudited)
Number of shares				
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>4,262,867</u>	<u>4,262,867</u>	<u>4,262,867</u>	<u>4,262,867</u>

For the six months ended 30 June 2020 and 2019, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds as at 30 June 2020 and 2019 since their assumed conversion or exercise would result in a decrease in loss per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

13. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

During the six months ended 30 June 2020, the Group acquired property, plant and equipment for a cash consideration of HK\$148,000 (for the six months ended 30 June 2019: HK\$24,000) mainly for acquisitions of computer equipment (for the six months ended 30 June 2019: computer equipment).

During the six months ended 30 June 2019, the Group entered into new or renewal of lease agreements for the office premises and director's residential premises, each for 2 years' term. The Group was required to make fixed monthly payments during the contract periods. On lease commencement, the Group recognised HK\$6,908,000 of right-of-use assets and HK\$6,908,000 of lease liabilities. During the six months ended 30 June 2020, the Group did not enter into any new or renewal of lease agreement.

The Group's investment properties were valued by APAC Appraisal and Consulting Limited, an independent professional qualified property valuer not connected to the Group as at 30 June 2020 and 2019. The valuations were arrived at by using direct comparison method by making reference to the comparable market transactions as available. The direct comparison method is based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The resulting decrease in fair values of investment properties of HK\$26,700,000 (for the six months ended 30 June 2019: decrease in fair values of HK\$6,400,000) has been recognised directly in profit or loss for the six months ended 30 June 2020.

14. INTEREST IN A JOINT VENTURE

On 30 July 2013, Jade Emperor International Limited ("**Jade Emperor**"), a wholly-owned subsidiary of the Company, entered into a venture participation agreement (the "**Participation Agreement**") with Matrix Triumph Sdn. Bhd. ("**MTSB**"), being the joint venture partner, and Discover Orient Holidays Sdn. Bhd. ("**DOH**"), being the joint venture company, for participation and involvement in the business being conducted by DOH at a cash consideration of HK\$14 million. DOH, which is incorporated in Malaysia with limited liability, engages principally in the business of operating as an organiser of tours and travel agent in Malaysia.

The transaction was completed on 31 August 2013. Pursuant to the terms of the Participation Agreement, DOH shall pay to Jade Emperor a management fee as its share of results which is equivalent to 90% of the profit before taxation of DOH.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

14. INTEREST IN A JOINT VENTURE *(Continued)*

In addition to the Participation Agreement, MTSB and Jade Emperor also entered into an option agreement on the same day, pursuant to which MTSB granted a call option to Jade Emperor to acquire the entire issued share capital in DOH at a price to be agreed by the parties with reference to the profit before taxation of DOH or such comparables at the time of exercise of the option. In the opinion of the directors, the exercise price of the call option will be at market value on a mutually agreed basis by the parties at the time of exercise of the option, and therefore the value of the call option has no material financial impact to the Group.

As the Participation Agreement requires the consent of both parties on major decision in the operation and control of DOH, DOH is treated as a joint venture of the Group accordingly.

As at 30 June 2020, in view of the fact that both actual sales and profits generated from the joint venture have fallen below expectation due to the COVID-19 pandemic and slowing global and local economy in Malaysia, the Group performed impairment assessment on the joint venture. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant joint venture which is the higher of value in use and fair value less costs to sell. The recoverable amount of interest in a joint venture has been determined based on a value in use calculation. The value in use calculation requires the management of the Group to estimate its share of the present value of the estimated future cash flows expected to be generated by the joint venture, including the cash flows from the operations of the joint venture and the proceeds from the ultimate disposal of the investment.

For the purposes of impairment testing, the value in use was determined by the management of the Group 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 of the joint venture covering a five-year period, and discounted at a pre-tax discount rate of 16.41% (31 December 2019: 16.51%). Cash flows after the five-year period are extrapolated using a 2.17% (31 December 2019: 2.17%) terminal growth rate in considering the economic condition of the market.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

14. INTEREST IN A JOINT VENTURE *(Continued)*

Other key assumptions for the value in use calculations relate to the estimation of cash inflows based on the above financial budgets including the budgeted sales and gross margin. Such estimation is based on the joint venture'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 joint venture which engaged in the travel business segment in Malaysia have fallen below expectation due to the COVID-19 pandemic and slowing global and local economy in Malaysia, and therefore the management has revised the cash flow projections to reflect the latest economic conditions as at the end of the reporting period. On this basis, the recoverable amount of interest in the joint venture is estimated approximately to be nil (31 December 2019: HK\$6,348,000). The directors of the Company concluded that an impairment loss of HK\$3,248,000 (for the six months ended 30 June 2019: nil) was recognised in profit or loss during the six months ended 30 June 2020 and the interest in the joint venture was fully impaired as at 30 June 2020.

Details of the Group's investment in a joint venture are as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Cost of investment in a joint venture	14,000	14,000
Share of post-acquisition profits and other comprehensive income	1,264	3,860
Accumulated impairment loss recognised	(12,093)	(8,845)
Exchange adjustments	(3,171)	(2,589)
	—	6,426

The interest in the joint venture is accounted for using equity method.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

15. LOAN RECEIVABLES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Fixed-rate loan receivables, net of accumulated loss allowance of expected credit losses ("ECL")	255,704	294,657
Accrued interest receivables	7,911	4,546
	263,615	299,203
Analysed as:		
Current	203,334	277,078
Non-current	60,281	22,125
	263,615	299,203

The range of interest rate on the Group's loan receivables is from 7.42% to 15% per annum (31 December 2019: from 7.42% to 15% per annum). The loans are respectively repayable in one year to five years (31 December 2019: one year to five years) from the drawdown dates, and hence the loans repayable beyond one year from the end of the reporting period were classified as non-current. Pursuant to loan agreements, the Group retains a discretionary right to demand the repayment from the borrowers in full before the maturity of the loans under certain specified circumstances in the respective agreements.

Before granting loans to outsiders, the Group uses internal credit assessment process to assess the potential borrower's credit quality and defines its credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

The Group has a policy for assessing the impairment on loan receivables on an individual basis. The assessment also includes evaluation of collectability and aging analysis of accounts and on management's judgment, including the current creditworthiness, collateral and past collection history of each borrower. In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables from the date credit was initially granted up to the reporting date. This includes assessing the credit history of the business, such as financial difficulties or default in payments and current market conditions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

15. LOAN RECEIVABLES *(Continued)*

Applying the ECL model, impairment of loan receivables is assessed on 12m ECL basis when there has been no significant increase in credit risk since initial recognition. However, when there has been a significant increase in credit risk since origination, the allowances will be based on the lifetime ECL. As a result, it was assessed and concluded by management of the Group that the gross carrying amount of loan receivables and accrued loan interest receivables of HK\$173,810,000 (31 December 2019: HK\$230,083,000) is assessed on 12m ECL basis whereas the gross carrying amount of loan receivables and accrued loan interest receivables of HK\$153,800,000 (31 December 2019: HK\$95,186,000) is assessed on the lifetime ECL, the accumulated loss allowance of ECL on loan receivables further increased by HK\$37,929,000 (for the six months ended 30 June 2019: HK\$10,061,000) for the six months ended 30 June 2020, of which the net carrying amount of HK\$170,139,000 (31 December 2019: HK\$188,177,000) being unsecured or unguaranteed and HK\$93,476,000 (31 December 2019: HK\$111,026,000) were secured or guaranteed.

No aging analysis is disclosed, as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of business of money lending.

As at 30 June 2020, a loan receivable of HK\$55,000,000 and accrued loan interest receivables of HK\$5,244,000 were past due but not credit-impaired, of which the loan receivable of HK\$55,000,000 and the accrued loan interest receivable of HK\$4,114,000 were unsecured but guaranteed, and the accrued loan interest receivable of HK\$1,130,000 was secured. The management of the Group considered that there was a significant increase in credit risk in respect of the loan receivable of HK\$55,000,000 and accrued loan interest receivable of HK\$4,114,000, therefore a loss allowance of ECL of HK\$17,737,000 has been recognised on these loan receivable and accrued loan interest receivable for the six months ended 30 June 2020. The management is under negotiation with the borrowers since the borrowers are seeking for postponement of payments.

As at 31 December 2019, no principal or interests were past due.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

16. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables from the travel business of HK\$27,446,000 (31 December 2019: HK\$113,486,000) and accounts receivables from cash clients, margin clients, clients for subscriptions of new shares in initial public offerings, clearing house and a broker amounting to HK\$1,959,000 (31 December 2019: HK\$507,000), HK\$55,476,000 (31 December 2019: HK\$71,862,000), HK\$5,618,000 (31 December 2019: nil), HK\$658,000 (31 December 2019: HK\$2,354,000) and HK\$38,000 (31 December 2019: HK\$1,527,000) respectively from the brokerage business.

For the travel business, the Group allows an average credit period range from 60 to 90 days to its customers of travel business. The following is an aged analysis of receivables from travel business, net of accumulated loss allowance of ECL, presented based on the invoice date at the end of the reporting period.

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Up to 3 months	5,150	46,109
4 to 6 months	10,512	49,426
7 to 12 months	9,415	12,749
Over 1 year	2,369	5,202
	27,446	113,486

Trade receivables from travel business represent the gross amounts billed to customers, of which trade receivables, net of accumulated loss allowance of ECL, from travel business in Singapore is HK\$27,446,000 (31 December 2019: HK\$113,486,000) as at 30 June 2020. The Group measures loss allowance for trade receivables from travel business at an amount equal to lifetime ECL, which is calculated using a provision matrix by reference to past default experience of the debtor and current market condition in relation to each debtor's exposure and time value of money where appropriate. The ECL also incorporate forward looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle such trade receivables. Trade receivables from travel business have been grouped based on shared credit risk characteristics and the days past due.

As at 30 June 2020, included in the Group's trade receivables from travel business balance are debtors with aggregate carrying amount of approximately HK\$21,210,000 (31 December 2019: HK\$67,728,000) which are past due as at the reporting date. The average age of these receivables is 262 days (31 December 2019: 141 days). For the six months ended 30 June 2020, the accumulated loss allowance of ECL is further increased by HK\$66,636,000 (for the six months ended 30 June 2019: increased by HK\$11,507,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Equity securities listed in Hong Kong held for trading <i>(note)</i>	20,688	61,515

Note: The fair values were based on the quoted prices of the respective securities in active markets for identical assets.

At 30 June 2020 and 31 December 2019, no financial assets at fair value through profit or loss have been pledged as security.

18. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables from travel business of approximately HK\$11,896,000 (31 December 2019: HK\$21,413,000) and an aged analysis presented based on the invoice date at the end of reporting period is as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 1 month	2,877	14,318
1 to 2 months	336	3,539
2 to 3 months	1,708	514
Over 3 months	6,975	3,042
	11,896	21,413

The average credit period from trade suppliers of the travel business is 30 days (31 December 2019: 30 days).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

19. BANK BORROWINGS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
The carrying amounts of secured bank borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	28,854	31,035
Within a period of more than one year but not exceeding two years	–	943
Within a period of more than two years but not exceeding five years	–	4,003
	28,854	35,981

As at 30 June 2020, the bank borrowings carry interest rate ranging from 3.00% to 4.50% (31 December 2019: 3.00% to 4.50%) per annum.

The Group's bank borrowings that are denominated in currencies other than the functional currency of the relevant group entity are set out below:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
United States dollars ("US\$")	6,136	6,592

As at 30 June 2020, the above bank borrowings have been due for renewal and in default, the bank was contractually entitled to request immediate repayment of the outstanding loan amount. The bank has yet requested immediate repayment of this loan as at the date of issuance of this report. Subsequent to the end of the reporting period, the management of the Group has been negotiating on renewal of such banking facilities with the bank, and expected the Group is able to meet in full if in case such bank borrowings are requested to pay immediately and the entire bank borrowings have been included in the current liabilities at the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

20. OTHER BORROWING

During the six months ended 30 June 2020, the Group has entered into a supplementary loan agreement with the lender and extended the repayment date to 13 November 2020. The loan carried interest at a fixed rate of 8% (31 December 2019: 8%) per annum. The majority of the proceeds were used to finance the working capital of money lending business.

21. CONVERTIBLE BONDS

The Company issued 8% two-year convertible bonds with principal amount of HK\$80,000,000 on 13 November 2018 to an independent third party. The convertible bonds are denominated in Hong Kong dollars. The convertible bonds entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the convertible bonds and the fifth business days prior to 12 November 2020 (the "**Maturity Date**") at a conversion price of HK\$0.115 per conversion share. If the convertible bonds have not been converted, they will be redeemed on the Maturity Date at par. Interest of 8% will be paid annually in arrears up until the settlement date.

The principal terms of the convertible bonds were disclosed in the Company's announcement dated 29 October 2018.

At initial recognition, the equity component of the convertible bonds was separated from the liability component. The equity element is presented in equity heading "convertible bonds equity reserve". The effective interest rate of the liability component is 11.12% per annum.

The movement of the liability component of the convertible bonds for the six months ended 30 June 2020 is set out below:

	HK\$'000
Carrying amount at 1 January 2020 (audited)	78,058
Interest payable	(3,174)
Interest charge (<i>note 8</i>)	4,286
	<hr/>
Carrying amount at 30 June 2020 (unaudited)	79,170
	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

22. SHARE CAPITAL OF THE COMPANY

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2019, 30 June 2019, 31 December 2019, 1 January 2020 and 30 June 2020	180,000,000,000	1,800,000
Issued and fully paid:		
At 1 January 2019, 30 June 2019, 31 December 2019, 1 January 2020 and 30 June 2020	4,262,867,050	42,629

23. 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 during the six months ended 30 June 2020 and 2019. No share options were outstanding as at 30 June 2020 and 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

24. PLEDGE OF OR RESTRICTIONS ON ASSETS

Pledge of assets

As at 30 June 2020 and 31 December 2019, details of the banking facilities available to the Group and the corresponding pledge of assets are as follows:

- (a) As at 30 June 2020, the net carrying amount of trade receivables from travel business in Singapore amounting to Singapore Dollar (“SG\$”) 4,934,000 (equivalent to approximately HK\$27,446,000) (31 December 2019: SG\$19,647,000 (equivalent to approximately HK\$113,486,000)) and deposit and prepayment for a life insurance policy of US\$889,000 (equivalent to approximately HK\$6,892,000) (31 December 2019: US\$899,000 (equivalent to approximately HK\$7,010,000)) have been pledged to a bank in Singapore by way of a floating charge.

The bank has provided the following banking facilities to a subsidiary of the Company in Singapore for travel business:

	30 June 2020		31 December 2019	
	Facility limit HK\$'000 (Unaudited)	Utilised amount HK\$'000 (Unaudited)	Facility limit HK\$'000 (Audited)	Utilised amount HK\$'000 (Audited)
Accounts receivables financing and commercial card guarantee in an aggregate amount of approximately SG\$5,600,000 (31 December 2019: SG\$5,600,000), of which an amount of SG\$4,092,000 (31 December 2019: SG\$5,145,000) was utilised	31,151	22,764	32,347	29,718
Life insurance premium financing loan and term loan in an aggregate amount of approximately US\$854,000 (31 December 2019: US\$854,000), of which an amount of US\$792,000 (31 December 2019: US\$845,000) was utilised	6,618	6,136	6,660	6,592
	37,769	28,900	39,007	36,310

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

24. PLEDGE OF OR RESTRICTIONS ON ASSETS *(Continued)*

Pledge of assets *(Continued)*

- (b) A bank in Hong Kong has provided a shares overdraft facility to a subsidiary of the Company in Hong Kong for securities brokerage business in an aggregate amount of HK\$10,000,000 as at 30 June 2020 (31 December 2019: HK\$10,000,000). No amount of the shares overdraft facility has been utilised and no securities have been pledged to the bank as at 30 June 2020 and 31 December 2019.

As at 30 June 2020, cash collateral placed by the Group and included in other receivables of approximately SG\$640,000 (equivalent to approximately HK\$3,560,000) (31 December 2019: SG\$640,000 (equivalent to approximately HK\$3,697,000)), was pledged for financial guarantees of SG\$3,216,000 (equivalent to approximately HK\$17,887,000) (31 December 2019: SG\$3,216,000 (equivalent to approximately HK\$18,574,000)) given by insurance companies in favour of the Group's customers of the travel business as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom financial guarantees have been given, such customers may demand the respective insurance companies to pay to them the sum stipulated in such demand. The Group will become liable to compensate such insurance companies accordingly. The financial guarantees will be released upon completion of the contract works.

At the end of the reporting period, as represented by the management of the Group, they do not consider it is probable that a claim will be made against the Group.

Restrictions on assets

As at 30 June 2020, lease liabilities of HK\$7,796,000 (31 December 2019: HK\$12,183,000) are recognised with related carrying amounts of the right-of-use assets of HK\$8,135,000 (31 December 2019: HK\$12,589,000). The lease agreements do not impose any covenants other than the security deposits in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

25. RELATED PARTY TRANSACTIONS

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

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Short-term employee benefits	3,443	2,536	5,807	4,336
Post-employment benefits	18	18	36	36
	<u>3,461</u>	<u>2,554</u>	<u>5,843</u>	<u>4,372</u>

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

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

		Three months ended 30 June		Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Related companies (Note 1)	Rental income	1,257	1,257	2,513	2,513
	Advisory fee income from corporate finance	100	-	100	-
	Secretarial fee and other office expenses	1	36	40	71
	Brokerage commission income and other service charge income	1	-	3	-
		<u>1,359</u>	<u>1,293</u>	<u>2,656</u>	<u>2,584</u>
Subsidiaries of a substantial shareholder of the Company (Note 2)	Lease payments	746	746	1,492	1,492
	Brokerage commission income and other service charge income	37	59	50	118
		<u>783</u>	<u>805</u>	<u>1,542</u>	<u>1,610</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

25. RELATED PARTY TRANSACTIONS *(Continued)*

(b) *(Continued)*

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 of the Company.

(c) As at 30 June 2020, included in other borrowing is a loan amounting to HK\$100,000,000 (31 December 2019: HK\$100,000,000) which is guaranteed by a personal guarantee given by Mr. Cheung Kwok Wai, Elton, an executive director and a shareholder of the Company.

26. EVENT AFTER THE END OF THE REPORTING PERIOD

The outbreak of COVID-19 pandemic and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly affect the operations of the Group. The Group has significantly reduced the operating activities of its travel business since March 2020 to the date of this report as a results of travel restrictions imposed by many countries to contain the spread of the pandemic.

The COVID-19 pandemic has a negative impact on the capital market and securities industry to certain extent. However, the degree of impact will depend on the situation and duration of the epidemic prevention and control. The Group will continue to pay close attention to the development of the COVID-19 pandemic as well as the various control policies, assess and react actively to its impacts on the financial position and operating results of the Group.

Other than those disclosed above, the Group had no material events for disclosure subsequent to 30 June 2020 and up to the date of this 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 30 June 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 the 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:

1. These shares were registered in the name of and were beneficially owned by Excellent Mind Investments Limited ("**Excellent Mind**"), a company is owned as to 60% by Mr. Mung Kin Keung and 40% by Mr. Mung Bun Man, Alan, both of them are executive Directors. Therefore, they are deemed to be interested in all the shares in which Excellent Mind is interested by virtue of the SFO.
2. The percentage is calculated on the basis of 4,262,867,050 shares in issue as at 30 June 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 30 June 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 23 of the section headed "Notes to the condensed consolidated financial statements".

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

As at 30 June 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	1,269,250,000	–	29.77%
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 1,269,250,000 shares in the Company. Eternity Investment is deemed to be interested in such 1,269,250,000 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 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 30 June 2020.

Other than as disclosed above, the Company has not been notified of any interests in the Company's issued shares as at 30 June 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 30 June 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. Fung Wai Ching and Mr. Lai Hok Lim, 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 six months ended 30 June 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 six months ended 30 June 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 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.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (“**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. Continuous efforts are made to review and enhance the risk management and internal control systems in light of changes in regulations and developments in best practices.

During the six months ended 30 June 2020, the Company was in compliance with the code provisions set out in the CG Code except for the deviations as explained below:

1. Code provision A.2.1 of the CG Code provides that the roles and responsibilities of chairman and chief executive officer should be divided. The Company has not appointed chief executive officer, and the roles and functions of the chief executive officer have been performed by the four executive Directors collectively.
2. Code provision A.4.1 of the CG Code provides that the non-executive directors should be appointed for a specific term and subject to re-election. The independent non-executive Directors are not appointed for a specific term but they are subject to retirement by rotation at least once every three years in accordance with the articles of association of the Company (the “**Articles**”).

3. Code provision D.1.4 of the CG Code provides that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Directors (except Mr. Mung Kin Keung). However, the Directors shall be subject to retirement by rotation in accordance with the Articles. In any event, all Directors, including those without a letter of appointment, must retire by rotation in the manner prescribed under the Articles, and on re-election of the retiring Directors, shareholders of the Company are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant Directors. In addition, the Directors are required to refer to the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry and “Guidelines for Directors” and “Guide for Independent Non-executive Directors” (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. Besides, the Directors are required to comply with the requirements under statute and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company’s business and governance policies.

Other than as those mentioned above, in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the six months ended 30 June 2020.

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 six months ended 30 June 2020.

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

The Company has not redeemed any of its shares during the six months ended 30 June 2020.

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

On behalf of the Board

Cheung Kwok Wai, Elton

Chairman and Executive Director

Hong Kong, 13 August 2020

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