



GLOBAL MASTERMIND
環球大通

GLOBAL MASTERMIND HOLDINGS LIMITED 環球大通集團有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8063

FIRST
QUARTERLY
REPORT
2023

*For identification purposes only

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “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 Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

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This report, for which the directors 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 made by the Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading and deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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

For the three months ended 31 March 2023

		Three months ended 31 March	
	<i>Notes</i>	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest income from money lending business		1,713	3,884
Commission income from securities brokerage		346	667
Interest income from margin financing		1,573	1,716
Handling and settlement income arising from securities brokerage		435	1,421
Asset management fee income		1	2
Net unrealised loss on securities investment	3	(1,873)	(3,125)
Other income, other gains and losses	4	233	945
Staff costs		(4,206)	(3,872)
Depreciation and amortisation expenses		(420)	(85)
Reversal of allowance for expected credit losses on account receivables from securities margin clients		453	–
Allowance for expected credit losses on account receivable from a securities cash client		(121)	–
Reversal/(recognition) of allowance for expected credit losses on loan receivables		492	(410)
Other expenses	5	(2,250)	(4,241)
Finance costs	6	(1,973)	(1,973)
Loss before tax		(5,597)	(5,071)
Income tax expense	7	–	(5)
Loss and total comprehensive expense for the period		(5,597)	(5,076)

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

(Continued)

For the three months ended 31 March 2023

	Three months ended 31 March	
<i>Note</i>	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Loss and total comprehensive expense for the period attributable to:		
– Owners of the Company	(5,597)	(5,075)
– Non-controlling interests	–	(1)
	<u>(5,597)</u>	<u>(5,076)</u>
Loss per share attributable to owners of the Company:		
Basic and diluted (HK cents)	(1.10)	(0.99)
	<u>(1.10)</u>	<u>(0.99)</u>

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 31 March 2023

1. Basis of preparation

The unaudited condensed consolidated financial information for the three months ended 31 March 2023 has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM made by The Stock Exchange of Hong Kong Limited (the “**Exchange**”) (the “**GEM Listing Rules**”). The unaudited condensed consolidated financial information does not include all the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022 (the “**2022 Financial Statements**”).

2. Principal accounting policies

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

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

The accounting policies used in the unaudited condensed consolidated financial information for the three months ended 31 March 2023 are consistent with those followed in the preparation of the 2022 Financial Statements, except as described below.

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

For the three months ended 31 March 2023

2. Principal accounting policies *(Continued)*

In the current period for the three months ended 31 March 2023, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the financial year beginning on or after 1 January 2023:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

3. Net loss on securities investment

Net realised gain or loss on securities investment represents the proceeds from the sale of financial assets at fair value through profit or loss ("FVTPL") less the carrying amounts of respective financial assets measured at fair value at the end of the previous financial period, and the dividend income is recognised when the Group's right to receive the dividend is established. Net unrealised gain or loss represents the remaining fair value changes on the financial assets at FVTPL.

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net unrealised loss on financial assets at FVTPL	(1,873)	(3,125)

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

For the three months ended 31 March 2023

4. Other income, other gains and losses

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rental income from related parties <i>(note 12(b))</i>	582	879
Loss on financial guarantee contract	(297)	(24)
Others	(52)	90
	233	945
	233	945

5. Other expenses

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Computer expenses	161	171
Handling fee and commission arising from brokerage business	665	1,692
Legal and professional fees	36	1,010
Expense relating to short-term leases	780	729
Telecommunication expenses	184	139
Others	424	500
	2,250	4,241
	2,250	4,241

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

For the three months ended 31 March 2023

6. Finance costs

	Three months ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest on other borrowing	1,973	1,973

7. Income tax expense

	Three months ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
The income tax expense comprises: Hong Kong Profits Tax – current period	-	5

Under the two-tiered profits tax rates regime of the Hong Kong Profits Tax, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000 for both periods.

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

For the three months ended 31 March 2023

8. Loss per share

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

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(5,597)	(5,075)
	<hr/> <hr/>	<hr/> <hr/>
	Three months ended 31 March	
	2023	2022
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	510,794	510,794
	<hr/> <hr/>	<hr/> <hr/>

For the three months ended 31 March 2023 and 2022, diluted loss per share was the same as the basic loss per share as there was no potential dilutive ordinary shares.

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

For the three months ended 31 March 2023

9. Interim dividend

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the three months ended 31 March 2023 and 2022 nor has any dividend been proposed since the end of both reporting periods.

10. Share capital, share premium and reserves

	Attributable to owners of the Company					Non-controlling interests HK\$'000	Total HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note i)	Property revaluation reserve HK\$'000 (Note ii)	Accumulated losses HK\$'000			Sub-total HK\$'000
At 1 January 2023 (audited)	51,079	1,068,425	32,589	65,547	(1,038,477)	179,163	(8)	179,155
Loss and total comprehensive expense for the period	-	-	-	-	(5,597)	(5,597)	-	(5,597)
At 31 March 2023 (unaudited)	51,079	1,068,425	32,589	65,547	(1,044,074)	173,566	(8)	173,558
At 1 January 2022 (audited)	51,079	1,068,425	32,589	65,547	(875,662)	341,978	(7)	341,971
Loss and total comprehensive expense for the period	-	-	-	-	(5,075)	(5,075)	(1)	(5,076)
At 31 March 2022 (unaudited)	51,079	1,068,425	32,589	65,547	(880,737)	336,903	(8)	336,895

Notes:

- (i) The capital reserve represented the credit arising from the capital reduction effected by the Company during the year ended 31 December 2009.
- (ii) The property revaluation reserve represented cumulative gains and losses arising from the revaluation of the corresponding properties during the year ended 31 December 2018 upon transfer of self-owned properties to investment properties that had been recognised in other comprehensive income. Such item would not be reclassified to profit or loss in subsequent periods.

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

For the three months ended 31 March 2023

11. Share-based payment transactions

The Company adopted a new share option scheme (the “**2021 Share Option Scheme**”) to replace the share option scheme adopted on 19 May 2011 pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 24 June 2021. The purpose of the 2021 Share Option Scheme is to enable the Company to grant options to selected eligible participants who include employees and directors of the Company and its subsidiaries as incentives or rewards for their contribution or potential contribution to the Group. Under the 2021 Share Option Scheme, the option period during which a share option may be exercised shall be determined and notified by the directors of the Company to the grantee and in any event shall not exceed ten years from the date of grant. The maximum number of shares which may be issued upon exercise of all options may be granted at any time under the 2021 Share Option Scheme together with options which may be granted under any other share option schemes for the time being of the Company shall not exceed such number of shares as equals 10% of the issued share capital of the Company as at the date of the approval of the 2021 Share Option Scheme (the “**Scheme Mandate Limit**”), without prior approval from the Company’s shareholders. The Company may seek approval by the shareholders of the Company in general meeting to refresh the Scheme Mandate Limit under the 2021 Share Option Scheme.

The exercise price is determined by the directors, and is not less than the highest of (i) the closing price of the Company’s shares on the date of grant; (ii) the average closing price of the Company’s shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company’s share on the date of grant.

No share options were granted during the three months ended 31 March 2023 and 2022. No share options were outstanding as at 31 March 2023 and 2022.

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

For the three months ended 31 March 2023

12. Related party transactions

- (a) Compensation of key management personnel

The remuneration of directors during the period was as follows:

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	510	510
Post-employment benefits	5	5
	515	515

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

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

For the three months ended 31 March 2023

12. Related party transactions *(Continued)*

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

Relationship	Nature of transaction	Three months ended 31 March	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Related companies <i>(Note)</i>	Rental income	582	879

Note:

Mr. Mung Hon Ting, Jackie ("**Mr. Jackie Mung**") is a close family member of Mr. Mung Kin Keung and Mr. Mung Bun Man, Alan ("**Mr. Alan Mung**") who are directors of the Company.

For the three months ended 31 March 2023, Mr. Alan Mung has the beneficial interest in the related company. For the three months ended 31 March 2022, Mr. Alan Mung and Mr. Jackie Mung had the beneficial interests in the related companies.

13. Events after the reporting period

The Group had no material events for disclosure subsequent to 31 March 2023 and up to the date of this report.

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

The Group recorded a loss attributable to owners of the Company of HK\$5,597,000 for the three months ended 31 March 2023 (2022: HK\$5,075,000). The increase was due to (i) a HK\$2,171,000 decrease in interest income from money lending business, and (ii) a HK\$1,451,000 decrease in revenue derived from financial services business, but which were partially offset by (i) a HK\$1,991,000 decrease in other expenses, and (ii) a HK\$1,252,000 decrease in net unrealised loss on securities investment.

Revenue and profitability

An analysis of the Group's revenue for the three months ended 31 March 2023 and 2022 was as follows:

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from money lending business	1,713	3,884
Revenue derived from financial services business	2,355	3,806
	4,068	7,690

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Financial Review *(Continued)*

Revenue and profitability (Continued)

For the three months ended 31 March 2023, the revenue of the Group amounted to HK\$4,068,000 (2022: HK\$7,690,000), which was comprised of interest income from money lending business of HK\$1,713,000 (2022: HK\$3,884,000), and revenue derived from financial services business of HK\$2,355,000 (2022: HK\$3,806,000). Revenue derived from financial services business includes commission income from securities brokerage, interest income from margin financing and initial public offering financing, handling and settlement income arising from securities brokerage, asset management fee income, and advisory fee income from corporate finance.

The Group reported a decrease of 47% in its revenue for the three months ended 31 March 2023 compared to HK\$7,690,000 for the three months ended 31 March 2022. The decrease was mainly attributable to (i) a HK\$2,171,000 decrease in interest income from the money lending business, and (ii) a HK\$1,451,000 decrease in revenue derived from the financial services business.

Other income, other gains and losses

Other income, other gains and losses for the three months ended 31 March 2023 amounted to a net income of HK\$233,000, representing a decrease of 75% compared to the net income of HK\$945,000 for the three months ended 31 March 2022. The decrease was mainly due to (i) the decrease in rental income from related parties, and (ii) the increase in loss on the financial guarantee contract as the Company extended the repayment date of the outstanding amount due to a bank and incurred additional interest for the extension.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Financial Review *(Continued)*

Staff costs, depreciation and amortisation expenses, and other expenses

For the three months ended 31 March 2023, staff costs amounted to HK\$4,206,000 (2022: HK\$3,872,000). Depreciation and amortisation expenses amounted to HK\$420,000 (2022: HK\$85,000). Other expenses amounted to HK\$2,250,000 (2022: HK\$4,241,000).

The increase in depreciation and amortisation expenses was mainly attributable to the additional depreciation recognised on an office unit reclassified from investment properties to properties, plant and equipment due to this office unit becoming owner-occupied property in January 2023.

The decrease in other expenses was mainly due to a HK\$1,027,000 decrease in handling fee and commission arising from the Group's securities brokerage business and a HK\$974,000 decrease in legal and professional fees.

Reversal of allowance for expected credit losses (the "ECL") on loan receivables

At the end of the reporting period, the directors performed an ECL assessment on the Group's loan receivables and recognised a reversal of allowance for ECL on loan receivables of HK\$492,000 for the three months ended 31 March 2023 (2022: allowance for ECL on loan receivables of HK\$410,000) resulting from the partial repayment of a loan which had been fully impaired in the previous year.

Reversal of allowance for ECL on account receivables from securities margin clients

At the end of reporting period, the directors performed an ECL assessment on the account receivables from the securities margin clients. A reversal of allowance for ECL on account receivables from securities margin clients of HK\$453,000 was recognised for the three months ended 31 March 2023 (2022: nil) which was mainly due to the increase in the eligible margin value of the securities held by the Group for a margin client.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Financial Review *(Continued)*

Allowance for ECL on account receivable from a securities cash client

As a securities cash client went bankruptcy during the three months ended 31 March 2023, the directors concluded that an allowance for ECL on account receivable from the securities cash client of HK\$121,000 (2022: nil) was required for the three months ended 31 March 2023.

Finance costs

For the three months ended 31 March 2023, the finance costs amounted to HK\$1,973,000 (2022: HK\$1,973,000), which represented interest expense on other borrowing.

Business Review

Money lending business

During the three months ended 31 March 2023, the Group's money lending business generated interest income on loans of HK\$1,713,000, representing a 56% decrease from HK\$3,884,000 for the corresponding period last year.

The decrease in interest income was mainly contributed by no further interest income recognised from six loans classified under stage 3 (credit-impaired) as the Group cast doubt on their ability to repay, whereas no further interest income recognised from four loans only for the corresponding period last year.

During the three months ended 31 March 2023, the Group did not grant any new loan and the Group's customers did not make any drawing from the existing loans but repaid HK\$2,492,000 to the Group.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Business Review *(Continued)*

Money lending business (Continued)

At the end of the reporting period, nine loans remained outstanding, of which (i) a loan receivable with a gross balance of HK\$14,974,000 was classified under stage 1 (initial recognition), (ii) a loan receivable with a gross balance of HK\$27,778,000 was classified under stage 2 (significant increase in credit risk), and (iii) seven loan receivables with the aggregate gross balance of HK\$265,112,000 were classified under stage 3 (credit-impaired). During the three months ended 31 March 2023, there were no transfers among stages 1, 2 and 3.

During the three months ended 31 March 2023, a reversal of allowance for ECL on loan receivables of HK\$492,000 was made resulting from the partial repayment of the loan which had been fully impaired in the previous year.

Set out below is the latest development for the recovery action of the loan receivables classified under stage 3 (credit-impaired).

- (a) A customer has failed to repay the outstanding principal amount of HK\$48,000,000 and accrued and unpaid interest thereon as they fell due in May 2022. Subsequently, the customer paid HK\$1,514,000 and HK\$5,115,000 to the Group in August and October 2022 respectively as partial repayment of the loan and interest payment. The Group is currently in negotiation with the customer regarding the settlement arrangement.
- (b) A customer has failed to pay the interest on the loan in the principal amount of HK\$63,000,000 since February 2022 and the principal amount in November 2022. The Group was engaged in negotiations with the customer on the repayment of the loan with a view to entering into a binding settlement agreement, and the negotiation is still ongoing up to the date of this report.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Business Review *(Continued)*

Money lending business (Continued)

- (c) A customer failed to pay the interest on the loan in the principal amount of HK\$58,000,000 since May 2021 and was unable to repay the outstanding principal amount of the loan. In January 2022, the Group obtained a corporate guarantee provided by a company incorporated in the People's Republic of China (the "PRC") to guarantee all of her repayment obligations of the loan under the loan agreement. The major asset of the corporate guarantor is a commercial property located in the PRC. Pursuant to the corporate guarantee, the corporate guarantor has designated the commercial property in the PRC as collateral to secure its payment obligations thereunder. Thereafter, the Group commenced legal action against the corporate guarantor in an arbitration court in the PRC with a view to recovering the loan and the accrued and unpaid interest thereon. At the first court hearing held on 16 March 2023, the Group entered into a mediation agreement with the corporate guarantor relating to the settlement of the outstanding principal amount together with the accrued and unpaid interest thereon. In May 2023, the court handed down a mediation statement ruling the corporate guarantor shall observe its payment obligations under the corporate guarantee to pay the Group the outstanding principal amount of the loan of HK\$58,000,000 together with the accrued and unpaid interest up to and until the payment date. The Group has instructed its legal adviser to commence civil proceedings against the corporate guarantor in the PRC to enforce the corporate guarantee and demand the corporate guarantor repay the loan together with the accrued and unpaid interest owed by the customer.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Business Review *(Continued)*

Money lending business *(Continued)*

- (d) A customer did not repay the outstanding principal amount of a loan of HK\$35,300,000 as it fell due in May 2022. The Group entered into a deed of settlement with the customer for a settlement plan of the outstanding principal amount (the “**Settlement Amount**”), of which HK\$7,060,000 was repaid on 30 May 2022 and the remaining outstanding balance of HK\$28,240,000 would be settled by four instalments in 20 months commenced from 1 June 2022. In consideration of the Group agreeing to enter into the deed of settlement, (i) a wholly-owned subsidiary of the customer has undertaken to pay the Group 70% of the revenue generated from its corporate services business within 30 days after actual receipt of payment in respect of such revenue for settlement of the same amount of the Settlement Amount unless and until the Settlement Amount is fully settled; and (ii) another wholly-owned subsidiary of the customer has undertaken to pay the Group 80% of all of its revenue (excluding certain revenue as defined in the deed of settlement) actually received by it within 30 days after actual receipt of the payment in respect of such revenue for settlement of the same amount of the Settlement Amount unless and until the Settlement Amount is fully settled. Subsequent to the date of the deed of settlement, the customer settled HK\$5,000,000 in November 2022 and HK\$492,000 during the three months ended 31 March 2023, and paid the accrued interests in accordance with the terms of the deed of settlement.
- (e) A customer failed to repay the outstanding principal amount of the revolving loan facilities of HK\$55,000,000 and the accrued and unpaid interest thereon as they fell due in April 2020. The Group commenced civil proceedings in the PRC against the customer and the guarantor in September 2020 to recover the outstanding principal amount together with the accrued and unpaid interest thereon. The court hearing was held and the court handed down the judgement in favour of the Group on 22 December 2021. The guarantor lodged an appeal against the judgement at one stage, causing a temporary delay to the enforcement process, but the Group was advised by its PRC legal advisers in December 2022 that the Group’s enforcement action was recently resumed. Currently, the PRC legal advisers of the Group are in the process of preparing the legal documents for execution of the judgement of the court.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Business Review *(Continued)*

Money lending business *(Continued)*

- (f) A customer failed to repay the outstanding principal amount of a loan of HK\$2,000,000 and the accrued and unpaid interest thereon as they fell due in May 2021. The customer has an investment portfolio of listed equity securities (the “**Listed Shares**”) maintained at Global Mastermind Securities Limited, a wholly-owned subsidiary of the Company engaging in the provision of securities services. He gave an undertaking to the Group, pursuant to which he agreed he would dispose of whole or part of the Listed Shares to repay his loan owed to the Group in the event of default. The Group is currently negotiating with him to dispose of the Listed Shares to repay the outstanding principal amount and the accrued and unpaid interest thereon.
- (g) A customer failed to pay the accrued interest since May 2020. The revolving loan facilities of HK\$19,000,000 granted to him were secured by a first legal charge over a commercial property. During the year ended 31 December 2021, the Group took possession of the commercial property and sold it to an independent third party to recover HK\$15,497,000 of the outstanding principal amount. In March 2023, a writ of summons was issued against the customer, demanding the repayment of the remaining outstanding principal amount of the loan of HK\$3,502,000 together with the accrued and unpaid interest thereon.

As at 31 March 2023, the Group’s loan receivables and accrued interest receivables (before accumulated allowance for ECL) amounted to HK\$307,864,000 (31 December 2022: HK\$310,824,000).

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Business Review *(Continued)*

Treasury management business

During the three months ended 31 March 2023, the Group acquired Hong Kong equities with market value of HK\$1,664,000 and did not dispose of any securities investment. As at 31 March 2023, the Group remeasured its securities investment at fair value and recorded a net unrealised loss of HK\$1,873,000 (2022: HK\$3,125,000) arising on changes in fair values of securities investment.

Financial services business

During the three months ended 31 March 2023, the revenue of the Group's financial services business decreased by 38% to HK\$2,355,000 (2022: HK\$3,806,000).

Commission income from securities brokerage for the three months ended 31 March 2023 decreased by 48% to HK\$346,000 (2022: HK\$667,000). This decrease was due to a decrease in customers' transaction volumes resulting from poor market sentiment.

Interest income from margin financing for the three months ended 31 March 2023 decreased by 8% to HK\$1,573,000 (2022: HK\$1,716,000) as there was a decrease in the Group's securities margin financing business.

The handling and settlement income arising from securities brokerage for the three months ended 31 March 2023 decreased by 69% to HK\$435,000 (2022: HK\$1,421,000) due to the decrease in customers' transaction volumes resulting from poor market sentiment.

The asset management fee income for the three months ended 31 March 2023 decreased by 50% to HK\$1,000 (2022: HK\$2,000). The decrease was due to the decrease in the assets under management by the Group.

There was no advisory fee income from corporate finance for the three months ended 31 March 2023 (2022: nil) as no financial advisory services were completed in the three months ended 31 March 2023.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Outlook

As the border between Hong Kong and mainland China opens up and the overall economic sentiment improves, Hong Kong economy is expected to stage a rebound. However, the rising interest rates and the Russia-Ukraine war continue to weigh on the global economy. The directors will continue closely monitoring the repayment and financial condition of the Group's money lending customers to ensure speedy actions on any early signs of loan recovery issues and take various measures to recover the overdue loan receivables and the unpaid interest on loans.

Various downside risks still cloud the outlook of the Hong Kong equity market, such as the Russia-Ukraine war, possible global recession and further geopolitical fragmentation. The directors will closely monitor and adjust the Group's securities investment from time to time and realise the securities investment into cash as and when appropriate.

The directors are hopeful for an improvement in the performance of the Group's financial services business. The directors believe that the border reopening with mainland China and a raft of the government's stimulus measures to boost economy, the market sentiment will be aroused.

Based on the results of research and feasibility studies on travel business in Hong Kong conducted by the Company, the directors consider that developing travel business in Hong Kong would be challenging and costly. There are many challenges that the Company would have to face, such as the increased competition from large conglomerates and the rise in online booking channels. Hence, the Company has to examine thoroughly the profitability, capital requirements and potential risks before moving forward in this industry.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Outlook *(Continued)*

The directors will continue to lead the Group to weather the challenges and continue to monitor the business environment and strengthen the Group's business foundation by focusing on its existing businesses. In addition to focusing on the Group's existing businesses, the directors will continue to identify suitable investment opportunities for the Group to diversify its businesses and broaden its revenue.

Events after the Reporting Period

The Group had no material events for disclosure subsequent to 31 March 2023 and up to the date of this report.

ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES

Dividends

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2023 (2022: Nil).

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 31 March 2023, none of the directors and the chief executive and their associates had any interests 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 Securities and Future Ordinance (the “SFO”), or as otherwise notified to the Company and the Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 March 2023, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

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

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

Long positions

Ordinary shares of HK\$0.10 each of the Company

Name of shareholder	Capacity	Number of shares of the Company held	Percentage of the issued share capital of the Company
Eternity Investment Limited ("Eternity") <i>(Note 1)</i>	Interest of controlled corporation	94,497,000	18.50%
Heng Tai Finance Limited <i>(Note 2)</i>	Beneficial owner	84,507,042	16.54%
Heng Tai Consumables Group Limited <i>(Note 2)</i>	Interest of controlled corporation	84,507,042	16.54%

Notes:

1. Eternity Finance Group Limited and Max Winner Investments Limited are wholly-owned subsidiaries of Eternity. Eternity Finance Group Limited and Max Winner Investments Limited are interested in 81,932,000 and 12,565,000 ordinary shares of the Company respectively. Eternity is deemed to be interested in such 94,497,000 ordinary shares by virtue of the SFO.
2. Heng Tai Finance Limited is a wholly-owned subsidiary of Heng Tai Consumables Group Limited, a company listed on the Main Board of the Exchange (stock code: 197). Heng Tai Finance Limited is interested in 84,507,042 ordinary shares of the Company. Heng Tai Consumables Group Limited is deemed to be interested in such 84,507,042 ordinary shares by virtue of the SFO.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 March 2023.

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

Disclosure Pursuant to Rule 17.22 of the GEM Listing Rules

As at 31 March 2023, the outstanding principal amount of the loan made by the Group to Mr. Yuen Hoi Po, an independent third party customer, amounted to HK\$62,247,000 (before accumulated allowance for expected credit losses), which exceeds 8% under the assets ratio defined under Rule 19.07(1) of the GEM Listing Rules. The loan is interest-bearing at 9.00% per annum, unsecured, and repayable in one lump sum on 10 November 2022. The loan granted to Mr. Yuen Hoi Po was in the ordinary course of the Group's money lending business. Details of the grant of the loan were disclosed in the Company's announcements dated 28 November 2018 and 11 November 2020.

Directors' Interests in Competing Business

During the three months ended 31 March 2023 and up to the date of this report, Mr. Cheung Kwok Wai, Elton, the Chairman of the Board and an executive director, has interests in following businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group:

- (a) Mr. Cheung Kwok Wai, Elton has an indirect interest of 15.29% in the issued shares of and is an executive director of Eternity. The subsidiaries of Eternity also engage in money lending and sale of financial assets 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 Exchange (stock code: 348). The subsidiaries of China Healthwise Holdings Limited also engage in money lending and investment in financial instruments businesses.

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

Directors' Interests in Competing Business *(Continued)*

As the board of directors of the Company is independent of the boards of directors of the above entities, the Group is capable of carrying on its businesses independently of, and at arm's length from, the above businesses.

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

During the three months ended 31 March 2023, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

Review of Financial Information

The unaudited condensed consolidated financial information for the three months ended 31 March 2023 and this report of the Company have been reviewed by the Audit Committee of the Board, which was of the opinion that the preparation of such financial information and report complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and adequate disclosures have been made.

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

Acknowledgement

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

On behalf of the Board

Cheung Kwok Wai, Elton

Chairman and Executive Director

Hong Kong, 15 May 2023

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