

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 of the Company, 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.*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

	NOTES	Three months ended 30 September		Nine months ended 30 September	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest income from money lending business		790	3,441	3,812	11,119
Commission income from securities brokerage		166	450	1,105	1,562
Interest income from margin financing		1,705	1,706	4,914	5,083
Handling and settlement income arising from securities brokerage		241	987	1,285	3,386
Asset management fee income		2	1	3	3
Advisory fee income from corporate finance		-	25	70	95
Net realised gain on securities investment	3	491	10	790	10
Net unrealised loss on securities investment	3	(41)	(2,583)	(3,320)	(6,896)
Other income, other gains and losses	4	258	953	1,361	2,984
Staff costs		(3,570)	(3,842)	(11,584)	(11,174)
Depreciation and amortisation expenses		(422)	(84)	(1,263)	(254)
Gain on fair value changes of investment properties		-	400	5,500	7,400
Recognition of allowance for expected credit loss on loan receivables		(17,989)	(42,472)	(13,032)	(72,187)
Recognition of allowance for expected credit loss on account receivables from securities margin clients		(837)	(5,022)	(2,006)	(11,291)
Recognition of allowance for expected credit loss on account receivable from a securities cash client		-	-	(121)	-
Other expenses	5	(1,802)	(4,154)	(7,097)	(13,411)
Finance costs	6	(2,017)	(2,016)	(5,984)	(5,983)
Loss before tax		(23,025)	(52,200)	(25,567)	(89,554)
Income tax credit	7	-	6,989	-	11,905
Loss and total comprehensive expense for the period		(23,025)	(45,211)	(25,567)	(77,649)

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Loss and total comprehensive expense for the period attributable to:				
Owners of the Company	(23,025)	(45,211)	(25,566)	(77,600)
Non-controlling interests	-	-	(1)	(49)
	<u>(23,025)</u>	<u>(45,211)</u>	<u>(25,567)</u>	<u>(77,649)</u>
Loss per share attributable to owners of the Company				
Basic and diluted (HK cents)	(4.51)	(8.85)	(5.01)	(15.19)

NOTE

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial information for the nine months ended 30 September 2023 has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on GEM made by The Stock Exchange of Hong Kong Limited (the “**Exchange**”). 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**”).

Going concern basis

For the nine months ended 30 September 2023, the Group incurred a loss for the period attributable to owners of the Company of HK\$25,566,000, and as of 30 September 2023, the Group’s current liabilities exceeded its current assets by HK\$13,311,000. These indicate that a material uncertainty exists that may cast significant doubts on the Group’s ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity, operating performance of the Group and its available sources of financing, and are of the opinion that the cash flow generated from operating activities and certain appropriate financing-activities of the Group will be able to meet the funding needs of operations and repay the outstanding interest bearing borrowings and liabilities under financial guarantee contract. In order to improve the Group’s financial position, the directors of the Company have been implementing various measures as follows:

- i. taking active measures to collect loan receivables to improve operating cash flows and its financial position;
- ii. obtaining a verbal agreement from the lender to extend the maturity date of the unsecured other borrowing of HK\$100,000,000 for 12 months from 10 November 2023 with the same terms and conditions;

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

1. BASIS OF PREPARATION *(Continued)*

Going concern basis *(Continued)*

- iii. reviewing its investments and actively considering to realise certain financial assets at fair value through profit or loss (“FVTPL”), in order to enhance the cash flow position of the Group whenever it is necessary; and
- iv. implementing active cost-saving measures to control administrative costs through various ways to improve operating cash flows at a level sufficient to finance the working capital requirements of the Group.

The directors of the Company have carried out detail review on the Group’s cash flow projection prepared by management. The cash flow projection covers a period of not less than twelve months from the date of this report. In preparing the cash flow projection, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the loan finance which may impact the operations of the Group during the next twelve-month period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of this report.

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 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 NINE MONTHS ENDED 30 SEPTEMBER 2023

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

In the current period for the nine months ended 30 September 2023, the Group has applied 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 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 above 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.

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

3. NET GAIN/(LOSS) ON SECURITIES INVESTMENT

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

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net realised gain on financial assets at FVTPL:				
Proceeds from sale of financial assets at FVTPL	1,049	-	1,049	-
Carrying amount of financial assets at FVTPL	(571)	-	(571)	-
	478	-	478	-
Dividend income from securities investments	13	10	312	10
	491	10	790	10
Net unrealised loss on financial assets at FVTPL	(41)	(2,583)	(3,320)	(6,896)
	450	(2,573)	(2,530)	(6,886)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

4. OTHER INCOME, OTHER GAINS AND LOSSES

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Rental income from related parties (note 12(b))	210	879	1,250	2,638
Interest income	40	-	93	1
Loss on financial guarantee contract	-	(232)	(297)	(117)
Government grant* - Employment Support Scheme from the Hong Kong government	-	288	-	432
Others	8	18	315	30
	258	953	1,361	2,984

* The conditions of the government grant had been fulfilled and the Group had received the government grants already.

5. OTHER EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Handling fee and commission arising from brokerage business	341	1,222	2,031	4,068
Expense relating to short-term leases	630	780	2,077	2,277
Telecommunication expenses	179	196	545	554
Computer expenses	167	166	506	545
Legal and professional fees	-	1,048	217	3,972
Others	485	742	1,721	1,995
	1,802	4,154	7,097	13,411

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

6. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest on other borrowing	2,017	2,016	5,984	5,983

7. INCOME TAX CREDIT

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Income tax credit/(charge) comprises:				
Current tax				
- Hong Kong Profits Tax	-	-	-	(7)
Deferred tax				
- current period	-	6,989	-	11,912
	-	6,989	-	11,905

Under the two-tiered profits tax rates regime of 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 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 NINE MONTHS ENDED 30 SEPTEMBER 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 30 September		Nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Loss				
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	(23,025)	(45,211)	(25,566)	(77,600)
	<u><u>(23,025)</u></u>	<u><u>(45,211)</u></u>	<u><u>(25,566)</u></u>	<u><u>(77,600)</u></u>
	Three months ended 30 September		Nine months ended 30 September	
	2023 '000 (Unaudited)	2022 '000 (Unaudited)	2023 '000 (Unaudited)	2022 '000 (Unaudited)
Number of shares				
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	510,794	510,794	510,794	510,794
	<u><u>510,794</u></u>	<u><u>510,794</u></u>	<u><u>510,794</u></u>	<u><u>510,794</u></u>

For the three months and nine months ended 30 September 2023 and 2022, diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

9. INTERIM DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the nine months ended 30 September 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 (Unaudited)	Total HK\$'000 (Unaudited)
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Capital reserve HK\$'000 (Unaudited) (Note i)	Property revaluation reserve HK\$'000 (Unaudited) (Note ii)	Accumulated losses HK\$'000 (Unaudited)	Sub-total HK\$'000 (Unaudited)		
At 1 January 2023	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	-	-	-	-	(25,566)	(25,566)	(1)	(25,567)
At 30 September 2023	51,079	1,068,425	32,589	65,547	(1,064,043)	153,597	(9)	153,588
At 1 January 2022	51,079	1,068,425	32,589	65,547	(875,662)	341,978	(7)	341,971
Loss and total comprehensive expense for the period	-	-	-	-	(77,600)	(77,600)	(49)	(77,649)
At 30 September 2022	51,079	1,068,425	32,589	65,547	(953,262)	264,378	(56)	264,322

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 represents cumulative gains arising from the revaluation of the corresponding properties during the year ended 31 December 2018 upon the transfer of self-owned properties to investment properties that have been recognised in other comprehensive income. On the subsequent sale or retirement of the properties, the relevant revaluation reserve will be transferred directly to accumulated losses.

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 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 nine months ended 30 September 2023 and 2022. No share options were outstanding as at 30 September 2023 and 2022.

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

12. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the unaudited condensed consolidated financial information, the Group has entered into the following significant related party transactions during the reporting period.

- (a) Compensation of key management personnel

The remuneration of directors during the period was as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Salaries and other benefits	355	510	1,375	1,530
Contribution to retirement benefits scheme	3	5	12	14
	<u>358</u>	<u>515</u>	<u>1,387</u>	<u>1,544</u>

The remuneration of executive directors is approved by the Board on the recommendation of the Remuneration Committee of the Board having regard to the performance of individuals and market trends.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

12. RELATED PARTY TRANSACTIONS (Continued)

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

		Three months ended 30 September		Nine months ended 30 September	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Related companies /Note/	Rental income	210	679	1,250	2,638

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**”), both of them are executive directors of the Company.

For the nine months ended 30 September 2023, Mr. Alan Mung has the beneficial interest in the related company.

For the nine months ended 30 September 2022, Mr. Alan Mung and Mr. Jackie Mung had the beneficial interests in the related companies.

All of the above transactions also constitute connected transactions as defined in Chapter 20 of the GEM Listing Rules. However, these transactions are fully exempt from the connected transaction requirements in Chapter 20 of the GEM Listing Rules under Rule 20.74(1)(c).

13. EVENTS AFTER THE END OF THE REPORTING PERIOD

In November 2023, the Company obtained a verbal agreement from the lender to extend the maturity date of the unsecured other borrowing of HK\$100,000,000 for 12 months from 10 November 2023 with the same terms and conditions. At the date of this report, the legal adviser was preparing the supplemental agreement for extending the maturity date.

Other than as disclosed above, the Group had no material events for disclosure subsequent to 30 September 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\$25,566,000 for the nine months ended 30 September 2023 (2022: HK\$77,600,000). The decrease in loss was mainly due to a HK\$59,155,000 decrease in allowance for expected credit loss (“ECL”) on loan receivables.

Revenue and profitability

An analysis of the Group’s revenue for the nine months ended 30 September 2023 and 2022 was as follows:

	Nine months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from money lending business	3,812	11,119
Net realised gain on securities investment	790	10
Revenue derived from financial services business	7,377	10,129
	11,979	21,258

For the nine months ended 30 September 2023, the revenue of the Group amounted to HK\$11,979,000, which was comprised of interest income from the money lending business of HK\$3,812,000, net realised gain on securities investment of HK\$790,000, and revenue derived from the financial services business of HK\$7,377,000. Revenue derived from financial services business includes commission income from securities brokerage, interest income from margin financing, handling and settlement income arising from securities brokerage, asset management fee income, and advisory fee income from corporate finance.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Financial Review *(Continued)*

Revenue and profitability (Continued)

The Group reported a decrease of 44% in its revenue for the nine months ended 30 September 2023 compared to HK\$21,258,000 for the nine months ended 30 September 2022. This decrease was mainly attributable to (i) a HK\$7,307,000 decrease in interest income from the money lending business, and (ii) a HK\$2,752,000 decrease in revenue derived from the financial services business.

Other income, other gains and losses

Other income, other gains and losses for the nine months ended 30 September 2023 amounted to a net income of HK\$1,361,000, representing a decrease of 54% compared to the net income of HK\$2,984,000 for the nine months ended 30 September 2022. The decrease was mainly due to the decrease in rental income from related parties, as the leasing of two office units was terminated during the reporting period.

Staff costs, depreciation and amortisation expenses, and other expenses

For the nine months ended 30 September 2023, staff costs amounted to HK\$11,584,000 (2022: HK\$11,174,000). Depreciation and amortisation expenses amounted to HK\$1,263,000 (2022: HK\$254,000). Other expenses amounted to HK\$7,097,000 (2022: HK\$13,411,000).

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\$3,755,000 decrease in legal and professional fees and a HK\$2,037,000 decrease in handling fee and commission arising from the Group's securities brokerage business.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Financial Review *(Continued)*

Gain on fair value changes of investment properties

Based on a valuation prepared by an independent qualified valuer, a gain of HK\$5,500,000 (2022: HK\$7,400,000) on the fair value changes of investment properties was recognised in the nine months ended 30 September 2023. The recognition of the gain on fair value changes of investment properties was due to the better performance of Hong Kong's Grade A office market in 2023 as compared with last year.

Allowance for 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 an allowance for ECL of HK\$13,032,000 (2022: HK\$72,187,000) for the nine months ended 30 September 2023. The decrease in allowance for ECL on loan receivables is discussed in the "Money lending business" section under "Business Review" below.

Allowance for ECL on account receivables from securities margin clients

At the end of the reporting period, the directors performed an ECL assessment on the account receivables from the securities margin clients. As the market values of the pledged securities held by three securities margin clients fell below the outstanding amounts of their respective margin loans, the directors concluded that an allowance for ECL on account receivables from securities margin clients of HK\$2,006,000 (2022: HK\$11,291,000) was required for the nine months ended 30 September 2023.

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 nine months ended 30 September 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 nine months ended 30 September 2023.

Finance costs

For the nine months ended 30 September 2023, the finance costs amounted to HK\$5,984,000 (2022: HK\$5,983,000), which represented interest expense on other borrowing.

Income tax credit

There was no income tax credit in relation to the allowance for ECL was recognised for the nine months ended 30 September 2023 (2022: HK\$11,905,000). The carrying amount of deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Therefore, no income tax credit was recognised during the period.

Business Review

Money lending business

During the nine months ended 30 September 2023, the Group's money lending business generated interest income on loans of HK\$3,812,000 (2022: HK\$11,119,000), a 66% decrease as compared to the corresponding period last year.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Business Review *(Continued)*

Money lending business *(Continued)*

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 nine months ended 30 September 2023, the Group did not grant any new loan and a customer made a drawing of HK\$1,000,000 from an existing loan and two customers repaid HK\$8,590,000 to the Group.

As at 30 September 2023, nine loans remained outstanding, of which (i) a loan receivable with a gross balance of HK\$14,038,000 was classified under stage 1 (initial recognition); and (ii) eight loan receivables with the aggregate gross balance of HK\$287,618,000 were classified under stage 3 (credit-impaired). During the nine months ended 30 September 2023, a loan receivable with a gross outstanding balance of HK\$27,427,000 was transferred from stage 2 (significant increase in credit risk) to stage 3 (credit-impaired) as the customer failed to settle the outstanding principal and interest for more than 90 days.

At the end of the reporting period, an allowance for ECL on loan receivables of HK\$13,032,000 was made. Of the total allowance for ECL, HK\$74,000 was reversed for the loan receivable classified under stage 1 (initial recognition) and HK\$13,106,000 was recognised for loan receivables classified under stage 3 (credit-impaired). Of the allowance for ECL under stage 3 (credit-impaired), HK\$18,518,000 was made for the loan receivable with a gross balance of HK\$27,427,000 reclassified from stage 2 (significant increase in credit risk) to stage 3 (credit-impaired), and HK\$5,412,000 was reversed for an existing loan receivable classified under stage 3 (credit-impaired) resulting from partial repayment of the loan.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Business Review *(Continued)*

Money lending business (Continued)

Reference is made to the loan receivables classified under stage 3 (credit-impaired) which were set out on pages 144 to 146 of the Company's annual report for the year ended 31 December 2022. Set out below is the latest development of the recovery actions for these loan receivables.

- (a) Customer A failed to repay the outstanding principal amount of HK\$26,648,000 and accrued and unpaid interest thereon as they fell due in May 2023. Subsequently, Customer A paid HK\$780,000 to the Group in November 2023. As at the date of this report, the Group is chasing Customer A to repay and negotiating with him regarding the settlement arrangement of the remaining overdue amount.

- (b) Customer B 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, Customer B 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. As such, the outstanding principal amount of the loan was reduced to HK\$45,239,000 as at 31 December 2022 and 30 September 2023. As at the date of this report, the Group is still chasing Customer B to repay and negotiating with Customer B regarding the settlement arrangement of the remaining loan balance.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Business Review *(Continued)*

Money lending business (Continued)

- (c) Customer C has failed to pay the interest on the loan in the principal amount of HK\$63,000,000 since February 2022. The Group has negotiated with Customer C with a view to entering into a binding settlement agreement. In March 2023, the Group instructed its legal adviser to send a demand letter to him demanding his immediate settlement. In July 2023, the Group received a reply from him proposing to repay the outstanding principal amount of the loan and the accrued interest by installments. In response to such reply, the Group is negotiating with him to finalise the settlement proposal in accordance with the proposed terms. The Company cannot presently state for sure that a settlement agreement can be reached with him, but if the Group eventually signs a settlement agreement with him, it would only do so if it considered that the entering into of the settlement agreement is a feasible measure to recover the loan together with the accrued and unpaid interest thereon after exhausted all other recovery measures.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Business Review *(Continued)*

Money lending business (Continued)

- (d) Customer D has failed to pay the interest on the loan in the principal amount of HK\$58,000,000 since May 2021. In January 2022, the Group obtained a corporate guarantee provided by a property holding 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. 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. On 16 March 2023, the Group entered into a mediation agreement with the corporate guarantor under the guidance of the arbitration court. In May 2023, the court handed down a mediation statement ruling that the corporate guarantor shall honour its payment obligations under the corporate guarantee to pay the Group the outstanding principal amount of the loan together with the accrued and unpaid interest up to and until the payment date. In the meantime, the Group is seeking advice from its legal adviser to seek to commence concurrent legal proceedings against Customer D in Hong Kong to recover the outstanding principal amount of the loan receivable and the accrued and unpaid interest.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Business Review *(Continued)*

Money lending business *(Continued)*

- (e) Customer F did not repay the outstanding principal amount of a loan of HK\$35,300,000 as it fell due in May 2022. The loan receivable was secured by (i) a share charge of the entire issued shares of Customer F, and (ii) a personal guarantee given by the ultimate beneficial owner of Customer F, as security for all the obligations of Customer F under the loan agreement. The Group entered into a deed of settlement with Customer F 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 Customer F has undertaken to pay 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 Customer F has undertaken to pay 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. The Group had exhausted all recovery measures and considered that the entering into the deed of settlement as a feasible measure to recover the loan together with the accrued and unpaid interest thereon. Subsequent to the date of the deed of settlement, Customer F has settled HK\$10,496,000 and paid the accrued interests in accordance with the terms of the deed of settlement up to the date of this report.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Business Review *(Continued)*

Money lending business *(Continued)*

- (f) Customer G 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 loan receivable was secured by a corporate guarantee given by a finance company established in the PRC with limited liability. The Group commenced civil proceedings in the PRC against Customer G 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 has 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 could continue. In July 2023, an Application of Compulsory Enforcement was submitted to the court to enforce the repayment of the loan together with the accrued and unpaid interest by Customer G and the guarantor.
- (g) Customer H 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. Customer H 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 had given an undertaking to the Group, pursuant to which he agreed he will dispose of whole or part of the Listed Shares to repay his loan owned to the Group in the event of default. The Group is currently negotiating with him on the details of the repayment proposal.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Business Review *(Continued)*

Money lending business (Continued)

- (h) Customer I 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 Customer I, 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. At the date hereof, the Group's legal adviser is preparing further application by summons and the related supporting affirmation for filing to the court.

As at 30 September 2023, the Group's loan receivables and accrued interest receivables (after accumulated allowance for ECL) amounted to HK\$13,949,000 (31 December 2022: HK\$36,149,000).

Information on the Group's money lending business, including business model, internal control system, and the basis of determination of the allowance for ECL on loan receivables, was already disclosed in the Company's annual report for the year ended 31 December 2022.

Treasury management business

During the nine months ended 30 September 2023, the Group acquired Hong Kong-listed equity securities with an aggregate market value of HK\$2,235,000. The Group made a trading gain of HK\$478,000 by selling its Hong Kong-listed equity securities with a carrying amount of HK\$571,000 at net proceed of HK\$1,049,000, together with the dividend income of HK\$312,000 from its securities investment, the Group recognised a net realised gain of HK\$790,000 (2022: HK\$10,000) in the nine months ended 30 September 2023. As at 30 September 2023, the Group remeasured its securities investment at fair value and recorded a net unrealised loss of HK\$3,320,000 (2022: HK\$6,896,000) arising on changes in the fair values of the securities investments.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Business Review *(Continued)*

Financial services business

During the nine months ended 30 September 2023, the revenue of the Group's financial services business decreased by 27% to HK\$7,377,000 (2022: HK\$10,129,000).

Commission income from securities brokerage for the nine months ended 30 September 2023 decreased by 29% to HK\$1,105,000 (2022: HK\$1,562,000). This decrease was due to a decrease in customers' transaction volumes resulting from poor market sentiment.

Interest income from margin financing for the nine months ended 30 September 2023 decreased by 3% to HK\$4,914,000 (2022: HK\$5,083,000) as there was a decrease in the Group's securities margin financing business. The average monthly outstanding balance of loans of securities margin clients (before accumulated allowance for ECL) decreased from HK\$70,706,000 in the nine months ended 30 September 2022 to HK\$68,130,000 in the nine months ended 30 September 2023.

The handling and settlement income arising from securities brokerage for the nine months ended 30 September 2023 decreased by 62% to HK\$1,285,000 (2022: HK\$3,386,000) due to the decrease in customers' transaction volumes resulting from poor market sentiment.

The asset management fee income for the nine months ended 30 September 2023 amounted to HK\$3,000 (2022: HK\$3,000).

The advisory fee income from corporate finance for the nine months ended 30 September 2023 decreased by 26% to HK\$70,000 (2022: HK\$95,000).

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Outlook

The global economy outlook is still uncertain as affected by the concerns over the Israel-Hamas war, the further deterioration in the United States and Mainland China relations, persistent inflation and the interest rate hikes. Mainland China and Hong Kong economy grew at a slower pace than the original estimation. The directors expect that the Hong Kong equity market will continue to face with mounting pressure marked by global economic fragility and interest rate hikes. The directors will closely monitor the Hong Kong equity market, proactively adjust the Group's securities portfolio from time to time, and realise the securities investment into cash as and when appropriate.

In light of the uncertain economic outlook, the Group has taken a cautious and conservative stance in considering the grant of new loans to new customers, as a matter of prudent measures to reduce the Company's business risks. The directors intend to maintain the size of the Group's loan portfolio in the remainder of 2023. Meanwhile, the Group will closely monitor the performance of the Group's loan portfolio, especially in each customer's repayment and financial condition, and continue to focus on the recovery of the overdue loans so as to safeguard the interest of the Group.

In 2023, investors tend to be more conservative in the Hong Kong-listed equities, and the market turnover of the Hong Kong equity market shows a downward trend, which harms the Group's financial services business. In response to the sluggish market conditions, the Hong Kong Government has recently undertaken various measures to revitalise the development of the Hong Kong equity market and Hong Kong's status as an international financial center, such as a stamp duty cut on stock transactions and a reform of the GEM Listing Rules to enhance GEM's attractiveness. As these measures have yet become effective, the directors are not able to assess their impacts on the Hong Kong equity market. However, the directors are hoping these measures would have a positive effect on the Hong Kong equity market, which in turn would improve the profitability of the Group's financial services business in the future.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Outlook *(Continued)*

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 online booking channels. Hence, the Company has to examine thoroughly the profitability, capital requirements and potential risks before moving forward in this industry.

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

In November 2023, the Company obtained a verbal agreement from the lender to extend the maturity date of the unsecured other borrowing of HK\$100,000,000 for 12 months from 10 November 2023 with the same terms and conditions. At the date of this report, the legal adviser was preparing the supplemental agreement for extending the maturity date.

Other than as disclosed above, the Group had no material events for disclosure subsequent to 30 September 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 nine months ended 30 September 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 30 September 2023, none of the directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation, as recorded in the register required to be kept by the Company under section 352 of the Securities and Futures 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.

ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES

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

As at 30 September 2023, the register of substantial shareholders kept 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.

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") (Note 1)	Interest of controlled corporation	94,497,000	18.50%
Heng Tai Finance Limited (Note 2)	Beneficial owner	84,507,042	16.54%
Heng Tai Consumables Group Limited (Note 2)	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, a company listed on the Main Board of the Exchange (stock code: 764). 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 had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 September 2023.

ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES

Disclosure Pursuant to Rule 17.22 of the GEM Listing Rules

As at 30 September 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 ECL), 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 nine months ended 30 September 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 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 the 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.

As the Board 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.

ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES

Purchase, Redemption or Sale of Listed Securities of the Company

During the nine months ended 30 September 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 nine months ended 30 September 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.

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, 13 November 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; Mr. Wong Chun Hung Hanson as non-executive director and Mr. Law Kwok Ho Kenward, Mr. Fung Wai Ching and Mr. Lai Hok Lim as independent non-executive directors.