



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



2017

THIRD
QUARTERLY
REPORT

*For identification purposes only

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

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

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Global Mastermind Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) recorded a loss attributable to owners of the Company of HK\$29,147,000 for the nine months ended 30 September 2017 (for the nine months ended 30 September 2016: HK\$41,674,000), representing basic loss per share of HK0.77 cent (for the nine months ended 30 September 2016: HK1.98 cents). The decrease in loss attributable to owners of the Company was mainly contributed by the increase in interest income derived by money lending business; the absence of impairment loss on available-for-sale investments; and the net realized gain on securities investment during the nine months ended 30 September 2017.

Revenue and profitability

For the nine months ended 30 September 2017, the consolidated revenue of the Group amounted to HK\$35,699,000 (for the nine months ended 30 September 2016: HK\$29,761,000) comprised of (i) service income from provision of travel related products and services of HK\$23,949,000 (for the nine months ended 30 September 2016: HK\$27,412,000); (ii) interest income from money lending business of HK\$10,519,000 (for the nine months ended 30 September 2016: HK\$6,020,000); (iii) net realized gain on securities investment of HK\$1,219,000 (for the nine months ended 30 September 2016: net realized loss of HK\$3,671,000); and (iv) financial services income of HK\$12,000 (including brokerage commissions and interest income from margin financing) (for the nine months ended 30 September 2016: Nil), representing an increase of 20.0% as compared to the corresponding period of last year. The increase was mainly contributed by interest income derived by money lending business and the net realized gain on securities investment.

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 products and services, including airtickets, hotel rooms, Free Independent Traveler ("**FIT**") packages and ground transportation handling services.

Corporate customers are business travelers who require travel products and services for their travel purposes. Wholesale customers are usually travel services providers who purchase airtickets, hotel rooms, FIT packages and other travel related products. Meetings, Incentives, Conventions and Exhibitions ("**MICE**") customers refer to customers who are mainly corporate customers, convention organizers and special projects organizers who require one stop professional MICE/special project/event management services.

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

For the nine months ended 30 September 2017, approximately 67.1% or HK\$23,949,000 (for the nine months ended 30 September 2016: HK\$27,412,000) of the total revenue was derived from the provision of travel related products and services of which HK\$22,157,000 (for the nine months ended 30 September 2016: HK\$26,285,000) and HK\$1,792,000 (for the nine months ended 30 September 2016: HK\$1,127,000) was generated from the market in Singapore and Hong Kong respectively.

The interest income revenue derived from the provision of money lending services amounted to HK\$10,519,000 for the nine months ended 30 September 2017 (for the nine months ended 30 September 2016: HK\$6,020,000), representing approximately 29.5% of the total revenue.

For treasury management business, net realized gain of HK\$1,219,000 was generated from securities investment (for the nine months ended 30 September 2016: net realized loss of HK\$3,671,000), representing approximately 3.4% of the total revenue for the nine months ended 30 September 2017.

For the newly developed financial services business, revenue of HK\$12,000 was generated, including brokerage commissions of HK\$9,000 and interest income from margin financing of HK\$3,000 for the nine months ended 30 September 2017.

Other income

Other income for the nine months ended 30 September 2017 amounted to HK\$7,568,000, representing an increase of 1.3 times as compared to HK\$3,241,000 for the corresponding period of last year. Such increase was mainly contributed by increase in management and administrative income and incentive income.

Expenditure

For the reporting period, staff costs amounted to HK\$41,114,000 (for the nine months ended 30 September 2016: HK\$30,448,000). Depreciation and amortization expenses amounted to HK\$6,704,000 (for the nine months ended 30 September 2016: HK\$8,104,000). Other expenses amounted to HK\$13,888,000 (for the nine months ended 30 September 2016: HK\$15,293,000).

The increase in 35.0% in staff costs was mainly attributed to the provision of share option expense of HK\$10,840,000, including HK\$4,132,000 and HK\$6,708,000 of share option expenses for the share options granted to a director, certain senior management and employees during the three months ended 30 June 2017 and 30 September 2017 respectively.

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 the business of operating as tours and travel agents in Malaysia at a cash consideration of HK\$14 million and the transaction was completed on 31 August 2013. Since then, the Group has been entitled to receive a management fee which was equivalent to 90% of the profit before taxation of its Malaysia travel business.

During the nine months ended 30 September 2017, the Group shared a loss from the joint venture amounting to HK\$67,000 (for the nine months ended 30 September 2016: profit of HK\$46,000).

Impairment loss on intangible assets

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

During the six months ended 30 June 2017, the management, with the assistance of an independent professional qualified valuer not connected with the Group, reviewed the carrying amounts of the intangible assets, which were purchased as part of the acquisition of Safe2Travel Pte Ltd completed on 30 March 2011 and was recognized as their fair value at the date of acquisition, were higher than the respective recoverable amounts, an impairment loss of HK\$10,000,000 (for the six months ended 30 June 2016: HK\$8,000,000) was recognised in profit or loss during the period.

During the three months ended 30 September 2017 and 2016, the management further reviewed the carrying amounts of the intangible assets, as compared with the impairment test conducted in the second quarter of the corresponding year, which were lower than the respective recoverable amounts. No impairment loss was identified on the intangible assets during both periods.

Finance costs

The finance costs of HK\$499,000 (for the nine months ended 30 September 2016: HK\$1,816,000) was attributed to the interest on short term bank borrowings and bank overdrafts during the reporting period.

BUSINESS REVIEW

Travel business

During the period under review, the performance of the segment in travel business was still not satisfactory. Although the travel business in Hong Kong recorded a growth in revenue to HK\$1,792,000 for the nine months ended 30 September 2017 (for the nine months ended 30 September 2016: HK\$1,127,000), stringent and competitive business environment exerted pressure on the Group's travel business in Singapore led to a decrease in the revenue of travel business in Singapore to HK\$22,157,000 for the nine months ended 30 September 2017 (for the nine months ended 30 September 2016: HK\$26,285,000).

Money lending business

Discloseable transaction in relation to the provision of financial assistance

On 1 August 2017, a loan agreement was entered into between Global Mastermind Financial Services Limited ("**Global Mastermind Financial Services**"), an indirect wholly-owned subsidiary of the Company and a licensed money lender in Hong Kong, as lender and an independent third party, as borrower, pursuant to which Global Mastermind Financial Services had conditionally agreed to grant a term loan up to a principal amount of HK\$58 million to the borrower for a term of 12 months from the date of drawdown with an interest rate of 8% per annum. As all of the relevant applicable percentage ratios in respect of the grant of the term loan under the loan agreement were more than 5% but less than 25%, the grant of the term loan under the loan agreement constituted a discloseable transaction of the Company and was only subject to the announcement requirement under Chapter 19 of the GEM Listing Rules. Details of the loan agreement were set out in the Company's announcement dated 1 August 2017.

During the reporting period, the Group's money lending business generated interest income on loans of HK\$10,519,000 (for the nine months ended 30 September 2016: HK\$6,020,000). The increase was attributable to the increase in the average monthly balance of loan receivables. The average monthly balance of loan receivables increased from HK\$113,571,000 in the nine months ended 30 September 2016 to HK\$152,633,000 in the nine months ended 30 September 2017. During the period under review, the Group granted new loans in the aggregate principal amount of HK\$122,126,000 to its customers and received prepayment and repayment of HK\$96,803,000 from its customers. At the end of the reporting period, the directors assessed the collectability of loans receivables. As there was no objective evidence that the Group would not be able to collect all amounts due, no impairment loss on loans receivables was recognised.

Treasury management business

During the period under review, the Group acquired five Hong Kong equities with the aggregate market value of HK\$11,578,000 (for the nine months ended 30 September 2016: HK\$35,431,000). In addition, the Group disposed Hong Kong equities with market value of HK\$31,710,000 (for the nine months ended 30 September 2016: HK\$31,461,000) with a carrying amount of financial assets at fair value through profit or loss plus transaction costs of HK\$30,689,000 (for the nine months ended 30 September 2016: HK\$35,530,000). Adding the dividend income from securities investment of HK\$198,000 (for the nine months ended 30 September 2016: HK\$398,000), the Group's trading of financial assets at fair value through profit or loss recorded a net realised gain of HK\$1,219,000 (for the nine months ended 30 September 2016: a net realised loss of HK\$3,671,000). At 30 September 2017, the Group remeasured its equity portfolio at market prices and recorded an unrealised loss of HK\$452,000 (for the nine months ended 30 September 2016: an unrealised gain of HK\$428,000) arising on change in fair value of financial assets at fair value through profit or loss.

Financial services business

As disclosed in Company's 2016 annual report and 2017 first quarterly report, the Group was granted (i) the licence to carry on asset management business (operation of which is Type 9 regulated activity under the Securities and Futures Ordinance (the "**SFO**"), the "**Asset Management Business**") on 21 February 2017; and (ii) the licences to carry on dealing in securities business (operation of which is Type 1 regulated activity under SFO, the "**Securities Business**"); and advising on securities business (operation of which is Type 4 regulated activity under the SFO, the "**Advising on Securities Business**") on 10 April 2017. In mid-September 2017, the Group's financial services business commenced in full operation for the provision of securities brokerage, securities margin financing, advising on securities business and asset management services. The revenue generated from the financial services business after its commencement till 30 September 2017, was HK\$12,000, including brokerage commissions of HK\$9,000 and interest income from margin financing of HK\$3,000.

Completion of placing of new shares under general mandate

On 13 June 2017, the Company and Kingston Securities Limited (the "**Placing Agent**") entered into a placing agreement (the "**Placing Agreement**"), pursuant to which the Company had conditionally agreed to place through the Placing Agent, on a best effort basis, of up to 710,450,000 new shares of the Company (the "**Placing Share(s)**"), to not less than six placees (the "**Placees**") at the price of HK\$0.1 (the "**Placing Price**") per Placing Share (the "**Placing**"). The gross proceeds from the Placing was amounted to approximately HK\$71.1 million and the net proceeds from the Placing was amounted to approximately HK\$68.3 million (the "**Net Proceeds**"). The Group intended to apply the Net Proceeds in the manner that (i) HK\$67.0 million from the Placing to provide a subordinated loan facility to Global Mastermind Securities Limited (the "**Subordinated Loan Facility**"), in particular, to further expand its securities margin financing business; and (ii) HK\$1.3 million from the Placing as general working capital for the Securities Business and/or the Advising on Securities Business. Details of the Placing were set out in the Company's announcement dated 13 June 2017. The Placing was completed on 3 July 2017.

OUTLOOK

In the coming quarters, the travel business environment is continuing to be challenging. The Group's profitability in travel business is facing pressure from the rising costs of operations, stiff price driven competition and stringent business environment. Our management team will cautiously monitor the market, adopt appropriate measures and business strategies in response to changing market conditions.

The Group will adopt a conservative investment approach towards its treasury management business in the coming quarters. The management will cautiously monitor Hong Kong equity, change the Group's equity portfolio mix from time to time and realise the equities held by the Group into cash as and when appropriate.

For the money lending business, the management will adopt a more cautious approach during its assessment and approval of new loans in order to mitigate its credit risk.

The management expects that the new financial services business will generate a new and stable income stream to and broaden the revenue base of the Group, so as to improve the Group's profitability over the long term.

EVENTS AFTER THE REPORTING PERIOD

On 25 October 2017, the Company announced that in order to provide more comprehensive services to its customers and create synergistic effects with the existing Securities Business, Advising on Securities Business and Asset Management Business of the Group, the Company, through Global Mastermind Futures Limited, its indirect wholly-owned subsidiary, had resolved to lodge application to the Securities Futures Commission for conducting Type 2 (dealing in futures contracts) regulated activity under the SFO. In this regard, the Company therefore intended to reallocate HK\$7.0 million of the Net Proceeds originally allocated for the Subordinated Loan Facility to pay part of the proposed paid-up share capital of Global Mastermind Futures Limited. As at the date of this report, HK\$7.0 million was utilised to pay part of the paid-up share capital of Global Mastermind Futures Limited.

On 9 November 2017, the Company announced that HK\$60.0 million of the Net Proceeds originally allocated for the Subordinated Loan Facility would be reallocated to increase the share capital of Global Mastermind Securities Limited, its indirect wholly-owned subsidiary carrying on Securities Business and Advising on Securities Business. As at the date of this report, HK\$60.0 million was utilised to increase the share capital of Global Mastermind Securities Limited.

Details of the change in the use of Net Proceeds were set out in the Company's announcements dated 25 October 2017 and 9 November 2017. Other than the above reallocations, the remaining balance of the Net Proceeds of HK\$1.3 million would be used as intended and has not yet been utilised as at the date of this report.

REPORT ON REVIEW OF QUARTERLY FINANCIAL INFORMATION

Deloitte.

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TO THE BOARD OF DIRECTORS OF GLOBAL MASTERMIND HOLDINGS LIMITED

INTRODUCTION

We have reviewed the quarterly financial information of Global Mastermind Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 13 to 26, which comprise the condensed consolidated statement of profit or loss and other comprehensive income for the nine months period ended 30 September 2017, and certain explanatory notes. The directors of the Company are responsible for the preparation and presentation of this quarterly financial information in accordance with the basis set out in note 1. Our responsibility is to express a conclusion on this quarterly financial information based on our review, and to report our conclusion on this quarterly financial information solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

13 November 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	NOTES	Three months ended 30 September		Nine months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Service income from provision of travel related products and services		7,829	8,721	23,949	27,412
Interest income from money lending business	3	3,356	3,667	10,519	6,020
Net realised gain (loss) on securities investment	4	64	(1,042)	1,219	(3,671)
Unrealised gain (loss) in securities investment		473	3,072	(452)	428
Brokerage commissions	5	9	-	9	-
Interest income from margin financing	5	3	-	3	-
Other income	6	3,865	1,047	7,568	3,241
Staff costs		(16,415)	(9,367)	(41,114)	(30,448)
Depreciation and amortisation expenses		(1,752)	(3,309)	(6,704)	(8,104)
Other expenses		(5,464)	(6,813)	(13,888)	(15,293)
Impairment loss on available-for-sale investments	7	-	(2,486)	-	(13,886)
Impairment loss on intangible assets	8	-	-	(10,000)	(8,000)
Finance costs	9	(193)	(1,691)	(499)	(1,816)
Share of (loss) profit of a joint venture		(86)	20	(67)	46
Loss before tax		(8,311)	(8,181)	(29,457)	(44,071)
Income tax (expense) credit	10	(552)	341	310	2,397
Loss for the period		(8,863)	(7,840)	(29,147)	(41,674)

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

		Three months ended 30 September		Nine months ended 30 September	
NOTES		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 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 operation					
		2,433	(2,706)	10,981	7,403
Share of exchange difference of a joint venture					
		237	(479)	900	599
Fair value loss on available-for-sale investments					
7		-	(7,886)	-	(13,886)
Reclassification adjustment upon impairment on available-for-sale investments					
7		-	2,486	-	13,886
Other comprehensive income (expense) for the period					
		2,670	(8,585)	11,881	8,002
Total comprehensive expense for the period					
		(6,193)	(16,425)	(17,266)	(33,672)
Loss for the period attributable to owners of the Company					
		(8,863)	(7,840)	(29,147)	(41,674)
Total comprehensive expense attributable to owners of the Company					
		(6,193)	(16,425)	(17,266)	(33,672)
Loss per share (HK cents)					
Basic					
11		(0.21)	(0.29)	(0.77)	(1.98)

NOTES TO THE QUARTERLY FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

1. BASIS OF PREPARATION

The quarterly financial information has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The quarterly financial information does not include all the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2016.

The principal accounting policies applied in preparing these quarterly financial information are set out in note 2.

2. PRINCIPAL ACCOUNTING POLICIES

The amounts included in this quarterly financial information has been computed 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 accounting policies used in the quarterly financial information for the nine months ended 30 September 2017 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

The quarterly financial information has been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

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

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle: HKFRS 12 Disclosure of interests in other entities

Amendments to HKAS 7 “Disclosure initiative”

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)**Amendments to HKAS 7 “Disclosure initiative”** (Continued)

The application of the amendments will result in additional disclosures on the Group’s financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The adoption will result in relevant disclosures in the Group’s annual consolidated financial statements for the year ending 31 December 2017.

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

3. INTEREST INCOME FROM MONEY LENDING BUSINESS

The Group generated income of HK\$10,519,000 (for the nine months ended 30 September 2016: HK\$6,020,000) from money lending business during the period.

4. NET REALISED GAIN (LOSS) ON SECURITIES INVESTMENT

Net realised gain (loss) on securities investment represents the disposal gain (loss) of securities investment and dividend income, which is arising from trading of financial assets at fair value through profit or loss recorded on a net basis, details of which are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Realised gain (loss) on financial assets at fair value through profit or loss:				
Proceeds from sale of financial assets at fair value through profit or loss	-	3,802	31,710	31,461
Carrying amount of financial assets at fair value through profit or loss plus transaction costs	-	(5,020)	(30,689)	(35,530)
	-	(1,218)	1,021	(4,069)
Dividend income from securities investment	64	176	198	398
	64	(1,042)	1,219	(3,671)

5. BROKERAGE COMMISSIONS AND INTEREST INCOME FROM MARGIN FINANCING

During the nine months ended 30 September 2017, the Group commenced its brokerage business and generated commission income of HK\$9,000 and interest income from margin financing of HK\$3,000.

6. OTHER INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest income	58	3	117	11
Exchange gain	149	-	292	-
Incentive income	2,362	-	3,334	591
Employment credits from government grants	102	270	171	830
Management and administrative income	1,030	473	3,214	1,504
Commercial credit card rebate	131	297	406	297
Miscellaneous income	33	4	34	8
	3,865	1,047	7,568	3,241

7. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE ("AFS") INVESTMENTS

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

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

8. IMPAIRMENT LOSS ON INTANGIBLE ASSETS

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

As of 30 June 2017, the management carried out the impairment assessment on the recoverable amount of the travel business's CGUs that was based on its value in use and was determined with the assistance of Ascent Partners Valuation Service Limited, an independent professional qualified valuer not connected with the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and at a discount rate of 16.01% (30 June 2016: 15.30%). Cash flows after the five-year period were extrapolated using a 1.75% (30 June 2016: 2.58%) growth rate in considering the economic condition of the market. The growth rates used to extrapolate cash flow projections beyond the five-year period do not exceed the long-term average growth rate for the industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance and management's expectations for the market development including the fluctuation in the travel business in the current economic environment. Both actual sales and profit generated from the travel business segment in Singapore have fallen below expectation, and therefore the management has revised the cash flow projections. In this regard, the management reviewed the current and expected performance of the travel business indicated that the carrying amounts of the CGUs were above the respective recoverable amounts. On this basis, the directors of the Company concluded that an impairment loss of HK\$10,000,000 (for the nine months ended 30 September 2016: HK\$8,000,000) was recognised in profit or loss in relation to trade name (for the nine months ended 30 September 2016: trade name and the customer relationship).

During the three months ended 30 September 2017 and 2016, the management of the Group further reviewed on the current and expected performance of travel business indicated that the recoverable amount, while reduced as compared with the impairment test conducted in the second quarter as described above, was above the respective carrying amount. On this basis, the directors of the Company concluded that there was no material impairment loss identified on the intangible assets in this regard.

9. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on bank overdrafts	193	-	445	-
Interest on short term bank borrowings	-	55	54	108
Interest on other loans	-	1,636	-	1,708
	193	1,691	499	1,816

10. INCOME TAX (EXPENSE) CREDIT

	Three months ended 30 September		Nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
The tax (expense) credit comprises:				
Hong Kong Profits Tax				
- Current period	(552)	-	(1,732)	-
Deferred taxation				
- current period	-	341	2,042	2,397
	(552)	341	310	2,397

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

No provision for Hong Kong Profits Tax has been made for the nine months ended 30 September 2016 as the Company and its subsidiaries either incurred tax losses or the estimated assessable profit was wholly absorbed by tax losses brought forward from prior years.

Singapore Corporate Income Tax is calculated at 17% in accordance with the relevant laws and regulations in Singapore. No provision for Singapore Corporate Income Tax has been made as the subsidiary operating in Singapore had no assessable profit for both periods.

11. LOSS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Loss				
Loss for the purposes of basic loss per share				
– Loss for the period attributable to owners of the Company	(8,863)	(7,840)	(29,147)	(41,674)
	4,247,423	2,717,516	3,786,631	2,106,746

	Three months ended 30 September		Nine months ended 30 September	
	2017 '000 (Unaudited)	2016 '000 (Unaudited)	2017 '000 (Unaudited)	2016 '000 (Unaudited)
Number of shares				
Weighted average number of ordinary shares for the purposes of basic loss per share (Note)	4,247,423	2,717,516	3,786,631	2,106,746

Note: Since there was no bonus element included in the rights issue completed in February 2016 (note 13(b)), no adjustment was applied to the loss per share in this regard.

The computation of diluted loss per share for the three months ended/nine months ended 30 September 2017 does not assure the conversion of the Company's outstanding share options as at 30 September 2017 since their assumed exercise would result in a decrease in loss per share.

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

12. INTERIM DIVIDEND

No dividend was paid, declared or proposed during the nine months ended 30 September 2017 and 2016, nor has any dividend been proposed since the end of both reporting periods.

13. SHARE CAPITAL, SHARE PREMIUM AND RESERVES

	Attributable to owners of the Company							Total HK\$'000
	Share capital	Share premium	Distributable reserve	Share options reserve	Investments revaluation reserve	Exchange reserve	Accumulated losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2017 (audited)	35,524	859,253	32,589	-	-	(32,258)	(292,737)	602,371
Loss for the period	-	-	-	-	-	-	(29,147)	(29,147)
Exchange difference arising in translation of foreign operation	-	-	-	-	-	10,981	-	10,981
Share of exchange difference of a joint venture	-	-	-	-	-	900	-	900
Total comprehensive income (expense) for the period	-	-	-	-	-	11,881	(29,147)	(17,266)
Issue of ordinary shares (Note a)	7,105	63,940	-	-	-	-	-	71,045
Transaction costs attributable to issue of ordinary shares	-	(2,656)	-	-	-	-	-	(2,656)
Recognition of equity-settled share-based payments (note 14)	-	-	-	10,840	-	-	-	10,840
At 30 September 2017 (unaudited)	42,629	920,537	32,589	10,840	-	(20,377)	(321,884)	664,334

13. SHARE CAPITAL, SHARE PREMIUM AND RESERVES (Continued)

	Attributable to owners of the Company							Total HK\$'000
	Share capital	Share premium	Distributable reserve	Share options reserve	Investments revaluation reserve	Exchange reserve	Accumulated losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2016 (audited)	7,646	582,584	32,589	-	-	(28,443)	(236,945)	357,431
Loss for the period	-	-	-	-	-	-	(41,674)	(41,674)
Exchange difference arising in translation of foreign operation	-	-	-	-	-	7,403	-	7,403
Share of exchange difference of a joint venture	-	-	-	-	-	599	-	599
Fair value loss on available-for-sale investments	-	-	-	-	(13,886)	-	-	(13,886)
Reclassification adjustment upon impairment on available-for-sale investments	-	-	-	-	13,886	-	-	13,886
Total comprehensive income (expense) for the period	-	-	-	-	-	8,002	(41,674)	(33,672)
Issue of ordinary shares (Note b)	19,878	178,906	-	-	-	-	-	198,784
Transaction costs attributable to issue of ordinary shares	-	(5,779)	-	-	-	-	-	(5,779)
At 30 September 2016 (unaudited)	27,524	755,711	32,589	-	-	(20,441)	(278,619)	516,764

13. SHARE CAPITAL, SHARE PREMIUM AND RESERVES *(Continued)**Notes:*

- (a) On 3 July 2017, the Company completed a placing of 710,450,000 ordinary shares at the price of HK\$0.10 per share pursuant to the terms and conditions of the placing agreement. The net proceeds from the placing after deducting the placing commission and other expenses in connection with the placing are approximately HK\$68.4 million. Details of the placing were set out in the Company's announcements dated 13 June 2017 and 3 July 2017.
- (b) On 29 February 2016, the Company completed a rights issue of 1,529,144,700 rights shares at a subscription price of HK\$0.10 per rights share on the basis of two rights shares for every one existing ordinary share of the Company held by shareholders of the Company at a record date of 27 January 2016. The net proceeds from the rights issue, after deducting directly attributable costs were approximately HK\$147.2 million. Details of the rights issue were disclosed in the Company's circular dated 24 December 2015, prospectus dated 28 January 2016 and announcement dated 8 October 2015 and 26 February 2016.

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

14. SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted an old share option scheme ("Option Scheme") and terminated it pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 19 May 2011, and the Company adopted a new share options scheme ("2011 Scheme") at the same meeting. The purpose of both share option schemes is to enable the Board, at its discretion, to grant options to any eligible participants who include directors and employees as incentives or rewards for their contribution to the Group. Under both schemes, the directors of the Company may grant options to eligible participants, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Under the 2011 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.

14. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

During the nine months ended 30 September 2017, the number of share options in respect of which options had been granted and remained outstanding under the 2011 Scheme was 468,600,000 which included 213,000,000 granted on 12 May 2017 and 255,600,000 granted on 5 September 2017, representing 6%, 6% of the shares of the Company in issue at the respective dates of grant.

Details of specific categories of options are as follows:

Date of grant	Vesting date	Exercise period	Exercise price
12 May 2017	12 May 2017	12 May 2017 to 11 May 2018	HK\$0.114
5 September 2017	5 September 2017	5 September 2017 to 4 September 2018	HK\$0.136

The following table discloses movements of the number of the Company's share options held by the eligible participants during the period:

	Outstanding at 1 January 2017 <i>HK\$'000</i>	Granted on 12 May 2017 <i>HK\$'000</i>	Granted on 5 September 2017 <i>HK\$'000</i>	Outstanding at 30 September 2017 <i>HK\$'000</i>
Category of participants				
Director	-	35,500,000	7,100,000	42,600,000
Employee	-	177,500,000	248,500,000	426,000,000
At end of the reporting period	-	213,000,000	255,600,000	468,600,000
Exercisable at the end of the period				468,600,000
Weighted average exercise price (<i>HK\$</i>)	N/A	0.114	0.136	0.126

14. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The fair values of the options granted were calculated using the Binomial model. The inputs into the model were as follows:

Share options granted on 12 May 2017:

Share price	HK\$0.110
Exercise price	HK\$0.114
Expected volatility	48.731%
Expected life	1 year
Risk-free rate	0.63%
Expected dividend yield	0%

The estimated fair value of the options granted on 12 May 2017 was HK\$4,132,000.

Share options granted on 5 September 2017:

Share price	HK\$0.130
Exercise price	HK\$0.136
Expected volatility	58.144%
Expected life	1 year
Risk-free rate	0.551%
Expected dividend yield	0%

The estimated fair value of options granted on 5 September 2017 was HK\$6,708,000.

Expected volatility was determined by using the historical volatility of the Company's share price movement over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK\$10,840,000 (for the nine months ended 30 September 2016: nil), included in the staff costs, for the nine months ended 30 September 2017 in relation to share options granted by the Company.

15. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

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

	Three months ended 30 September		Nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Short-term employee benefits	195	180	585	540
Post-employment benefits	8	6	23	20
Equity-settled share-based payment expenses	197	–	903	–
	<u>400</u>	<u>186</u>	<u>1,511</u>	<u>560</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:

Relationship	Nature of transaction	Three months ended 30 September		Nine months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Related companies (<i>Note</i>)	Management and administrative income	1,030	473	3,214	1,046

Note: 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 of the Company, and Mr. Mung Kin Keung have beneficial interests in the related companies.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations, within the meaning of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long positions

(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 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%

Note:

- (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 September 2017.

(b) Share options

Name of Director	Capacity	Number of share options of the Company held	Number of underlying shares of the Company
Mr. Cheung Kwok Wai, Elton	Beneficial owner	42,600,000	42,600,000

Save as disclosed above, none of the Directors and chief executives of the Company nor their associates had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules as at 30 September 2017.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the shareholders at the annual general meeting held on 19 May 2011, the Company adopted a new share option scheme to replace the share option scheme adopted on 30 April 2002. The principal terms of the share option scheme were disclosed in the Company's 2016 annual report. Details of movements in the Company's share options during the nine months ended 30 September 2017 are set out as follows:

Share options type	Number of share options					
	Outstanding at 1 January 2017	Granted during the period (Note)	Exercised during the period	Lapsed during the period	Outstanding at 30 September 2017	
Directors and chief executive						
– Mr. Cheung	2017A	–	35,500,000	–	–	35,500,000
Kwok Wai, Elton	2017B	–	7,100,000	–	–	7,100,000
Total directors and chief executive		–	42,600,000	–	–	42,600,000
Senior management and employees						
	2017A	–	177,500,000	–	–	177,500,000
	2017B	–	248,500,000	–	–	248,500,000
Total senior management and employees		–	426,000,000	–	–	426,000,000
Total		–	468,600,000	–	–	468,600,000
Exercisable at the end of the period						468,600,000

Share options type	Date of grant	Exercise period	Exercise price
2017A	12 May 2017	12 May 2017 to 11 May 2018	HK\$0.114
2017B	5 September 2017	5 September 2017 to 4 September 2018	HK\$0.136

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

As at 30 September 2017, 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 of HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares of the Company held	Approximate percentage of the issued share capital of the Company <i>(Note 3)</i>
China Healthwise Holdings Limited <i>(Note 1)</i>	Beneficial owner and held by controlled corporation	1,020,000,000	23.93%
Excellent Mind Investments Limited <i>(Note 2)</i>	Beneficial owner	532,000,000	12.48%
Mr. Mung Kin Keung <i>(Note 2)</i>	Held by controlled corporation	532,000,000	12.48%
Mr. Mung Bun Man, Alan <i>(Note 2)</i>	Held by controlled corporation	532,000,000	12.48%

Notes:

1. China Healthwise Holdings Limited ("**China Healthwise**"), a company incorporated in the Caymans Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 348) is interested in 800,000,000 shares of the Company. Adding the 220,000,000 shares of the Company held by Future Empire Limited (a wholly-owned subsidiary of China Healthwise), China Healthwise is deemed to be interested in 1,020,000,000 shares the Company by virtue of the SFO.
2. These shares are held by Excellent Mind Investments Limited ("**Excellent Mind**"), which is owned as to 60.00% by Mr. Mung Kin Keung and 40.00% 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.
3. The percentage is calculated on the basis of 4,262,867,050 shares in issue as at 30 September 2017.

Save as disclosed above, as at 30 September 2017, the Directors were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company under Section 336 of the SFO.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 September 2017.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the grant of share options to the Director as disclosed under the section headed "**Share Option Scheme**" above, at no time during the period under review was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

COMPETING INTERESTS

During the nine months ended 30 September 2017, none of the Directors, the management shareholders of the Company nor their respective close associates (as defined under the GEM Listing Rules) had any interest in a business which causes or may cause significant competition with the business of the Group.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) currently comprises three independent non-executive Directors, namely Mr. Law Kwok Ho, Kenward (as chairman), Mr. Tsai Yung Chieh, David and Mr. Fung Wai Ching, with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2017.

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

The Company has not redeemed any of its shares during the nine months ended 30 September 2017.

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

On behalf of the Board

Cheung Kwok Wai, Elton

Chairman and Executive Director

Hong Kong, 13 November 2017

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. Tsai Yung Chieh, David and Mr. Fung Wai Ching as independent non-executive Directors.