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ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the “**Board**”) of Eternity Investment Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 together with the comparative figures for 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Revenue	4	196,694	169,926
Cost of sales		<u>(98,792)</u>	<u>(89,210)</u>
Gross profit		97,902	80,716
Investment and other income	5	22,609	6,696
Other gains and losses	6	(11,570)	(22,355)
Selling and distribution expenses		(4,578)	(3,817)
Allowance for expected credit losses on financial assets	7	(132,729)	(167,703)
Administrative expenses		(129,153)	(116,382)
Share of results of associates		<u>(31,914)</u>	<u>(17,698)</u>
Loss from operations		(189,433)	(240,543)
Finance costs	8	<u>(66,603)</u>	<u>(61,072)</u>
Loss before taxation		(256,036)	(301,615)
Income tax (expense)/credit	9	<u>(19,116)</u>	<u>28,839</u>
Loss for the year	10	<u>(275,152)</u>	<u>(272,776)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000 (Restated)
Loss for the year attributable to:			
Owners of the Company		(275,152)	(272,772)
Non-controlling interests		<u> -</u>	<u> (4)</u>
		<u>(275,152)</u>	<u>(272,776)</u>
Loss per share			
Basic (<i>Hong Kong cents</i>)	<i>11</i>	<u>(7.45)</u>	<u>(7.34)</u>
Diluted (<i>Hong Kong cents</i>)		<u>(7.45)</u>	<u>(7.34)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000 (Restated)
Loss for the year	(275,152)	(272,776)
Other comprehensive (expense)/income for the year, net of income tax		
<i>Items that will not be reclassified to profit or loss:</i>		
Gain on revaluation of properties	–	25,801
Fair value loss on equity instruments at fair value through other comprehensive income	<u>(3,570)</u>	<u>(13,705)</u>
	<u>(3,570)</u>	<u>12,096</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations	(13,190)	(125,957)
Share of other comprehensive expense of associates, net of related income tax	<u>67</u>	<u>(30)</u>
	<u>(13,123)</u>	<u>(125,987)</u>
Other comprehensive expense for the year, net of income tax	<u>(16,693)</u>	<u>(113,891)</u>
Total comprehensive expense for the year	<u>(291,845)</u>	<u>(386,667)</u>
Total comprehensive (expense)/income for the year attributable to:		
Owners of the Company	(291,927)	(387,195)
Non-controlling interests	<u>82</u>	<u>528</u>
	<u>(291,845)</u>	<u>(386,667)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		928,529	907,374
Right-of-use assets		207,324	222,318
Investment properties		261,698	233,991
Intangible assets		639,189	673,975
Goodwill		190,277	245,268
Interests in associates		4,268	35,918
Deferred tax assets		69,892	93,154
Equity instruments at fair value through other comprehensive income		8,645	12,215
Financial assets at fair value through profit or loss		9,846	9,527
Finance lease receivables		159,224	142,632
Prepayments		344	3,194
		<u>2,479,236</u>	<u>2,579,566</u>
Current assets			
Inventories		34,484	36,024
Loans receivables	<i>12</i>	248,614	412,069
Trade receivables	<i>13</i>	37,902	32,841
Deposits, prepayments and other receivables		91,124	167,229
Finance lease receivables		22,664	31,435
Financial assets at fair value through profit or loss		97,316	125,910
Pledged bank deposits		23	779
Restricted bank deposits		18,035	–
Cash and cash equivalents		18,359	34,765
		<u>568,521</u>	<u>841,052</u>
Assets classified as held for sale		<u>26,816</u>	<u>36,852</u>
		<u>595,337</u>	<u>877,904</u>
Total assets		<u><u>3,074,573</u></u>	<u><u>3,457,470</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
EQUITY			
Share capital		38,196	38,196
Shares held for share award plan		(24,455)	(24,455)
Reserves		1,493,505	1,785,432
		<u>1,507,246</u>	<u>1,799,173</u>
Equity attributable to owners of the Company		1,507,246	1,799,173
Non-controlling interests		(5,675)	(5,757)
		<u>1,501,571</u>	<u>1,793,416</u>
LIABILITIES			
Current liabilities			
Trade payables	<i>14</i>	55,253	32,948
Deposits received, accruals and other payables		178,676	246,069
Receipts in advance		56,611	87,221
Tax payables		80,723	79,944
Bank borrowings		144,196	200,020
Other borrowings		254,748	266,789
Lease liabilities		6,106	6,849
Guaranteed secured notes		24,125	197,000
Amounts due to associates		11,169	1,961
Amounts due to directors		89,715	1,000
		<u>901,322</u>	<u>1,119,801</u>
Non-current liabilities			
Deposits received and other payables		68,525	64,060
Lease liabilities		275,008	284,698
Deferred tax liabilities		187,027	195,495
Guaranteed secured notes		141,120	–
		<u>671,680</u>	<u>544,253</u>
Total liabilities		1,573,002	1,664,054
Total equity and liabilities		3,074,573	3,457,470
Net current liabilities		(305,985)	(241,897)
Total assets less current liabilities		2,173,251	2,337,669

Notes:

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars (**HK\$’000**), which is the same as the functional currency of the Company.

Going concern

During the year ended 31 December 2023, the Group incurred a loss for the year attributable to owners of the Company of HK\$275,152,000 (2022: HK\$272,772,000) and, as of that date, the Group’s current liabilities exceeded its current assets by HK\$305,985,000 (2022: HK\$241,897,000). In addition, at 31 December 2023, certain bank accounts of the Group amounted to approximately RMB16,344,000 (equivalent to HK\$18,035,000) were frozen by a civil ruling issued by the People’s Republic of China (the “**PRC**”) court.

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 borrowings. In order to improve the Group’s financial position, the directors of the Company have been implementing various measures as follows:

- taking active measures to collect loan receivables to improve operating cash flows and its financial position;
- formulating various sale and marketing initiatives to increase the occupancy rate of the residential serviced apartments in Beijing, the PRC;
- negotiating with respective lenders to renew and extend the existing borrowings upon their maturities;

- 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;
- 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; and
- two executive directors of the Company have undertaken to provide continuous financial support to the Group to enable it to have sufficient liquidity to finance its operations.

The directors of the Company have carried out detail review on the Group’s cash flow projections prepared by management. The cash flow projections cover a period up to 31 March 2025. In preparing the cash flow projections, the directors of the Company have considered the 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 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 approval of the consolidated financial statements.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2023 on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. Application of amendments to HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

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
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules

In addition, the Group applied the agenda decision of the Committee of the International Accounting Standards Board.

The application of the amendments to HKFRSs and the Committee's agenda decision in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong Special Administrative Region gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will come into effect from 1 May 2025 (the "**Transition Date**"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("**MPF**") scheme to reduce the long service payment ("**LSP**") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

The Group has assessed the implications of this new guidance and concluded that it does not have a material impact on the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-Current Liabilities with Covenant ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of the above amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. Operating segments

The Group's operating segments have been determined based on the information reported to the Chairman of the board of directors, being the chief operating decision maker, that is used for performance assessment and to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. The Group currently has five operating segments:

(a) Property investment	Leasing of rental properties and property management
(b) Sale of financial assets	Sale of financial assets at FVTPL
(c) Money lending	Money lending
(d) Sale of jewelry products	Design and sale of jewelry products
(e) Golf club operation	Golf club operation

During the year, the Group commenced a business by engaging in golf club operation and it is considered a new operating and reportable segment by the chief operating decision maker.

An analysis of the Group's reportable segment revenue, results, assets, liabilities and other selected financial information for the years ended 31 December 2023 and 2022 by operating segments are as follows:

Segment revenue and results

For the year ended 31 December 2023

	Property investment <i>HK\$'000</i>	Sale of financial assets <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Sale of jewelry products <i>HK\$'000</i>	Golf club operation <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>48,206</u>	<u>4,165</u>	<u>31,474</u>	<u>83,421</u>	<u>29,428</u>	<u>196,694</u>
Segment (loss)/profit	<u>(52,446)</u>	<u>(6,508)</u>	<u>(124,120)</u>	<u>2,730</u>	<u>(7,235)</u>	(187,579)
Interest income on bank deposits						304
Unallocated corporate income						33,854
Unallocated corporate expenses						(4,098)
Finance costs						(66,603)
Share of results of associates						<u>(31,914)</u>
Loss before taxation						(256,036)
Income tax expense						<u>(19,116)</u>
Loss for the year						<u>(275,152)</u>

For the year ended 31 December 2022

	Property investment <i>HK\$'000</i> (Restated)	Sale of financial assets <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Sale of jewelry products <i>HK\$'000</i>	Golf club operation <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (Restated)
Segment revenue	<u>51,511</u>	<u>(9,850)</u>	<u>45,868</u>	<u>82,397</u>	<u>–</u>	<u>169,926</u>
Segment profit/(loss)	<u>13,316</u>	<u>(82,154)</u>	<u>(148,853)</u>	<u>1,588</u>	<u>–</u>	<u>(216,103)</u>
Interest income on bank deposits						50
Unallocated corporate income						122
Unallocated corporate expenses						(6,914)
Finance costs						(61,072)
Share of results of associates						<u>(17,698)</u>
Loss before taxation						(301,615)
Income tax credit						<u>28,839</u>
Loss for the year						<u>(272,776)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

Segment results represent (loss incurred)/profit earned by each segment without allocation of central administrative expenses including directors' emoluments, share of results of associates, certain investment and other income, certain other gains and losses, finance costs and income tax (expense)/credit. This is the measure reported to the Chairman of the board of directors for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

At 31 December 2023

	Property investment <i>HK\$'000</i>	Sale of financial assets <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Sale of jewelry products <i>HK\$'000</i>	Golf club operation <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets						
– Hong Kong	370,232	105,993	300,334	71,645	–	848,204
– The PRC	<u>1,835,368</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>366,702</u>	<u>2,202,070</u>
	<u>2,205,600</u>	<u>105,993</u>	<u>300,334</u>	<u>71,645</u>	<u>366,702</u>	<u>3,050,274</u>
Unallocated corporate assets						<u>24,299</u>
Consolidated total assets						<u>3,074,573</u>
Segment liabilities						
– Hong Kong	(98,210)	(103,707)	(8,552)	(20,153)	–	(230,622)
– The PRC	<u>(556,328)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(310,279)</u>	<u>(866,607)</u>
	<u>(654,538)</u>	<u>(103,707)</u>	<u>(8,552)</u>	<u>(20,153)</u>	<u>(310,279)</u>	<u>(1,097,229)</u>
Unallocated corporate liabilities						<u>(475,773)</u>
Consolidated total liabilities						<u>(1,573,002)</u>

At 31 December 2022

	Property investment <i>HK\$'000</i>	Sale of financial assets <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Sale of jewelry products <i>HK\$'000</i>	Golf club operation <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets						
– Hong Kong	343,621	138,833	491,482	67,024	–	1,040,960
– The PRC	<u>2,316,567</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,316,567</u>
	<u>2,660,188</u>	<u>138,833</u>	<u>491,482</u>	<u>67,024</u>	<u>–</u>	<u>3,357,527</u>
Unallocated corporate assets						<u>99,943</u>
Consolidated total assets						<u>3,457,470</u>
Segment liabilities						
– Hong Kong	(103,238)	(117,827)	(1,884)	(52,855)	–	(275,804)
– The PRC	<u>(954,720)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(954,720)</u>
	<u>(1,057,958)</u>	<u>(117,827)</u>	<u>(1,884)</u>	<u>(52,855)</u>	<u>–</u>	<u>(1,230,524)</u>
Unallocated corporate liabilities						<u>(433,530)</u>
Consolidated total liabilities						<u>(1,664,054)</u>

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

- all assets are allocated to operating segments other than interests in associates, certain financial assets at FVTPL, certain deposits, prepayments, other receivables and cash and cash equivalents that are not attributable to individual segments. Assets used jointly by individual segments are allocated on the basis of the revenues earned by individual segments; and
- all liabilities are allocated to operating segments other than certain bank borrowings, certain other borrowings, guaranteed secured notes, certain accruals and other payables, certain tax payables, amounts due to associates, and amounts due to directors that are not attributable to individual segments. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Other segment information

For the year ended 31 December 2023

	Property investment <i>HK\$'000</i>	Sale of financial assets <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Sale of jewelry products <i>HK\$'000</i>	Golf club operation <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amount included in the measure of segment profit/ (loss) and segment assets						
Additions to property, plant and equipment	65,517	-	-	23	3,383	68,923
Allowance for expected credit loss (“ECL”) on loan receivables	-	-	(132,972)	-	-	(132,972)
Allowance for ECL on trade receivables	-	-	-	(120)	-	(120)
Amortisation of intangible assets	(16,975)	-	-	-	(360)	(17,335)
Depreciation of property, plant and equipment	(22,509)	-	-	(13)	(3,310)	(25,832)
Depreciation of right-of-use assets	(4,371)	-	-	(280)	(1,457)	(6,108)
Gain on disposals of niches	74	-	-	-	-	74
Gain on disposals of residential serviced apartments	18,411	-	-	-	-	18,411
Imputed interest income on finance lease receivables	20,329	-	-	-	-	20,329
Interest income on other receivables	410	-	-	-	-	410
Loss arising on change in fair value of financial assets at FVTPL	-	(11,036)	-	-	-	(11,036)
Loss arising on change in fair value of investment properties	(2,026)	-	-	-	-	(2,026)
Reversal of allowance for ECL on other receivables	363	-	-	-	-	363
Reversal of impairment loss on property, plant and equipment	1,600	-	-	-	-	1,600
Written-off of property, plant and equipment	-	-	-	-	(259)	(259)

For the year ended 31 December 2022

	Property investment HK\$'000 (Restated)	Sale of financial assets HK\$'000	Money lending HK\$'000	Sale of jewelry products HK\$'000	Golf club operation HK\$'000	Consolidated HK\$'000 (Restated)
Amount included in the measure of segment profit/ (loss) and segment assets						
Additions to property, plant and equipment	285,936	–	–	16	–	285,952
Allowance for ECL on loan receivables	–	–	(167,254)	–	–	(167,254)
Allowance for ECL on trade receivables	–	–	–	(592)	–	(592)
Amortisation of intangible assets	(19,805)	–	–	–	–	(19,805)
Depreciation of property, plant and equipment	(22,917)	–	–	(11)	–	(22,928)
Depreciation of right-of-use assets	(6,087)	–	–	(309)	–	(6,396)
Gain on disposals of residential serviced apartments	77,551	–	–	–	–	77,551
Imputed interest income on finance lease receivables	4,531	–	–	–	–	4,531
Interest income on other receivables	1,101	–	–	–	–	1,101
Loss arising on change in fair value of derivative financial instruments	–	(1,895)	–	–	–	(1,895)
Loss arising on change in fair value of financial assets at FVTPL	–	(69,898)	–	–	–	(69,898)
Loss arising on change in fair value of investment properties	(700)	–	–	–	–	(700)
Reversal of allowance for ECL on other receivables	143	–	–	–	–	143
Reversal of impairment loss on property, plant and equipment	1,400	–	–	–	–	1,400
Written-off of property, plant and equipment	(11)	–	–	–	–	(11)

Geographical information

The Group mainly operates in Hong Kong and the PRC. The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2023 HK\$'000	2022 HK\$'000 (Restated)	2023 HK\$'000	2022 HK\$'000
Australia	1,142	1,437	–	–
Europe	8,505	11,466	–	–
Hong Kong	113,735	110,109	369,566	378,478
North America	40	104	–	–
The PRC	73,272	46,810	1,862,063	1,943,560
	<u>196,694</u>	<u>169,926</u>	<u>2,231,629</u>	<u>2,322,038</u>

Note:

Non-current assets excluded deferred tax assets, equity instruments at fair value through other comprehensive income, financial assets at FVTPL, finance lease receivables and other receivables.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	For the year ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Customer 1 ¹	33,205	41,398
Customer 2 ²	27,526	32,641
Customer 3 ³	N/A*	20,210
Customer 4 ¹	<u>20,934</u>	<u>N/A*</u>

¹ Revenue from sale of jewelry products.

² Revenue from property investment.

³ Revenue from money lending.

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. Revenue

	For the year ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Disaggregation of revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by types of goods and services		
Sale of jewelry products	83,421	82,397
Golf club operation		
– club activities	10,871	–
– food and beverage	4,314	–
– membership fees	9,976	–
Property investment		
– membership fees	14,742	13,823
– property management	1,576	345
	<u>124,900</u>	<u>96,565</u>
Revenue from other sources		
Sale of financial assets		
– sale of financial assets at FVTPL, net	4,165	(9,850)
Golf club operation		
– rental income	4,267	–
Money lending		
– interest income on loans	31,474	45,868
Property investment		
– rental income	31,888	37,343
	<u>196,694</u>	<u>169,926</u>
Total revenue	<u>196,694</u>	<u>169,926</u>
Timing of revenue recognition		
– a point in time	98,606	82,397
– over time	26,294	14,168
	<u>124,900</u>	<u>96,565</u>
Revenue from contracts with customers	<u>124,900</u>	<u>96,565</u>

Revenue from sale of financial assets at FVTPL is recorded on a net basis, details of which are as follows:

	For the year ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proceeds from sale of financial assets at FVTPL	29,786	70,340
Carrying amounts of financial assets at FVTPL sold plus transaction costs	(25,621)	(80,190)
	<u>4,165</u>	<u>(9,850)</u>

5. Investment and other income

	For the year ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Dividend income	1,142	132
Government grants	–	606
Interest income on bank deposits	304	50
Interest income on other receivables	410	1,101
Imputed interest income on finance lease receivables	20,329	4,531
Sundry income	424	276
	<u>22,609</u>	<u>6,696</u>

During the year ended 31 December 2022, the Group recognised government grants of HK\$606,000 in respect of COVID-19 related subsidy which was related to the Employment Support Scheme under the Anti-epidemic Fund provided by the Hong Kong government.

There were no unfulfilled conditions and other contingencies attached to these government grants.

6. Other gains and losses

	For the year ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on disposals of niches	74	–
Gain on disposals of residential serviced apartments	18,411	77,551
Gain on modification of terms of guaranteed secured notes	33,445	–
Impairment loss on goodwill	(51,779)	(28,802)
Loss arising on change in fair value of derivative financial instruments	–	(1,895)
Loss arising on change in fair value of financial assets at FVTPL	(11,036)	(69,898)
Loss arising on change in fair value of investment properties	(2,026)	(700)
Reversal of impairment loss on property, plant and equipment	1,600	1,400
Written-off of property, plant and equipment	(259)	(11)
	<u>(11,570)</u>	<u>(22,355)</u>

Gain on disposals of residential serviced apartments is recorded on a net basis, details of which are as follows:

	For the year ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Discounted proceeds from disposals of residential serviced apartments (net of value-added tax)	48,585	259,662
Related assets of the relevant residential serviced apartments recorded in property, plant and equipment, intangible assets, and right-of-use assets disposed of	(30,174)	(182,111)
	<u>18,411</u>	<u>77,551</u>

7. Allowance for expected credit losses on financial assets

	For the year ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
Allowance/(reversal of allowance) for ECL on loan receivables:		
– 12 months ECL	3,802	(4,811)
– lifetime ECL not credit-impaired	–	13,135
– lifetime ECL credit-impaired	<u>129,170</u>	<u>158,930</u>
	132,972	167,254
Reversal of allowance for ECL on other receivables:		
– 12 months ECL	(363)	(143)
Allowance for ECL on trade receivables	<u>120</u>	<u>592</u>
	<u>132,729</u>	<u>167,703</u>

8. Finance costs

	For the year ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
Interest on amounts due to directors	1,047	–
Interest on bank borrowings	8,045	4,566
Interest on lease liabilities	14,035	14,782
Interest on other borrowings	21,734	21,223
Interest on others	11	–
Imputed interest on guaranteed secured notes	<u>30,362</u>	<u>29,460</u>
	75,234	70,031
<i>Less:</i> interest on lease liabilities capitalised in the cost of qualifying assets	<u>(8,631)</u>	<u>(8,959)</u>
	<u>66,603</u>	<u>61,072</u>

9. Income tax (expense)/credit

	For the year ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
The PRC Enterprise Income Tax		
– current tax	(1,817)	(2,764)
Deferred tax (expense)/credit	<u>(17,299)</u>	<u>31,603</u>
	<u>(19,116)</u>	<u>28,839</u>

Under the two-tiered profits tax rates regime, 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 years.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

10. Loss for the year

Loss for the year has been arrived at after charging/(crediting):

	For the year ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of intangible assets (included in administrative expenses)	17,335	19,805
Auditors' remuneration:		
– audit services	1,500	880
– non-audit services	100	100
	1,600	980
Cost of inventories sold	69,709	71,182
Depreciation of property, plant and equipment	25,832	22,928
Depreciation of right-of-use assets	6,108	6,396
Loss of inventories (included in administrative expenses)	–	26
Net foreign exchange loss	18	47
Rental expenses in respect of short-term leases	–	18
Staff costs (including directors' emoluments):		
– salaries and allowances	67,747	54,294
– discretionary bonuses	123	525
– contributions to retirement benefits scheme	5,588	3,021
	73,458	57,840
Gross rental income from investment properties and operating rights	(31,888)	(37,343)
<i>Less:</i> direct operating expenses incurred for investment properties and operating rights that generated rental income during the year	12,961	18,028
	(18,927)	(19,315)

11. Loss per share

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

	For the year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
<u>Loss for the purpose of basic and diluted loss per share</u>		
Loss for the year attributable to owners of the Company	<u>(275,152)</u>	<u>(272,772)</u>

	For the year ended 31 December	
	2023	2022
	'000	'000
<u>Number of ordinary shares</u>		
Weighted average number of ordinary shares less weighted average number of shares held for share award plan for the purpose of basic and diluted loss per share	<u>3,695,296</u>	<u>3,716,361</u>

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for the years ended 31 December 2023 and 2022.

12. Loan receivables

	2023	2022
	HK\$'000	HK\$'000
Loans to customers	948,192	974,891
Accrued interest receivables	<u>55,328</u>	<u>59,112</u>
	1,003,520	1,034,003
<i>Less:</i> accumulated allowance for ECL	<u>(754,906)</u>	<u>(621,934)</u>
	<u>248,614</u>	<u>412,069</u>

All loans are denominated in Hong Kong dollars. The loan receivables carry effective interest ranging from 8% to 20% per annum (2022: 8% to 20% per annum). Loans contain a repayable on demand clause and are classified under current assets.

During the year ended 31 December 2023, an allowance for ECL on loan receivables of HK\$132,972,000 was recognised (2022: HK\$167,254,000).

At 31 December 2023, seven loans (2022: seven) in the aggregate outstanding principal amount of HK\$553,619,000 (2022: HK\$570,000,000) are secured by corporate guarantees, one loan in the outstanding principal amount of HK\$165,000,000 (2022: HK\$165,000,000) is secured by a corporate guarantee, a share charge of a private company, and a share pledge over certain participating shares of a closed-end private fund, and one loan in the outstanding principal amount of HK\$15,132,000 (2022: HK\$18,000,000) is secured by a share charge.

Included in the carrying amount of loan receivables at 31 December 2023 is an accumulated allowance for ECL of HK\$754,906,000 (2022: HK\$621,934,000).

Movements in the accumulated allowance for ECL during the year are as follows:

	12 months ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
At 1 January 2022	8,238	–	446,442	454,680
Transfer to lifetime ECL not credit-impaired	(1,577)	1,577	–	–
Allowance for ECL (reversed)/ recognised	<u>(4,811)</u>	<u>13,135</u>	<u>158,930</u>	<u>167,254</u>
At 31 December 2022 and 1 January 2023	1,850	14,712	605,372	621,934
Transfer to lifetime ECL credit-impaired	–	(14,712)	14,712	–
Allowance for ECL recognised	<u>3,802</u>	<u>–</u>	<u>129,170</u>	<u>132,972</u>
At 31 December 2023	<u><u>5,652</u></u>	<u><u>–</u></u>	<u><u>749,254</u></u>	<u><u>754,906</u></u>

13. Trade receivables

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	38,890	33,709
<i>Less: accumulated allowance for ECL</i>	<u>(988)</u>	<u>(868)</u>
	<u>37,902</u>	<u>32,841</u>

The following is an aging analysis of trade receivables (net of accumulated allowance for ECL) at the end of the reporting period presented based on the invoice dates:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0-30 days	6,616	6,928
31-60 days	6,558	7,707
61-90 days	4,957	5,453
91-120 days	3,544	3,469
121-180 days	11,514	2,286
Over 180 days	<u>4,713</u>	<u>6,998</u>
	<u>37,902</u>	<u>32,841</u>

The Group allows credit period ranging from 0 to 270 days to its customers. The directors assess the credit status and impose credit limits for customers in accordance with the Group's credit policy. The credit limits are closely monitored and subject to periodic reviews.

During the year ended 31 December 2023, an allowance for ECL on trade receivables of HK\$120,000 was recognised (2022: HK\$592,000).

Included in the carrying amount of trade receivables at 31 December 2023 is an accumulated allowance for ECL of HK\$988,000 (2022: HK\$868,000).

14. Trade payables

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	<u>55,253</u>	<u>32,948</u>

The following is an aging analysis of trade payables at the end of the reporting period presented based on the invoice dates:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0-30 days	2,367	10,506
31-60 days	369	4,358
61-90 days	38	2,196
91-120 days	397	179
Over 120 days	<u>52,082</u>	<u>15,709</u>
	<u>55,253</u>	<u>32,948</u>

The average credit period on purchase of goods and services is 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

15. Comparative figures

In the current year, the Group commenced a business by engaging in golf club operation in the PRC. To conform with the current year's presentation, the Group has determined that the membership fees of HK\$13,823,000 (previously presented in and classified as "Investment and other income") should now be presented in and classified as "Revenue" (the "**Reclassification**"). The Reclassification has no effect on the loss for the year presented in the consolidated statement of profit or loss and other comprehensive income.

EXTRACT OF THE INDEPENDENT AUDITORS' REPORT

The section below set out an extract of the independent auditors' report regarding the consolidated financial statements of the Group for the year ended 31 December 2023.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 3 to the consolidated financial statements, which indicates that the Group incurred a net loss of HK\$275,152,000 during the year ended 31 December 2023 and, as of that date, the Group's current liabilities exceeded its current assets by HK\$305,985,000. As stated in note 3 to the consolidated financial statements, these events or conditions, along with other matters as set forth in note 3 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Results of operations

During the year ended 31 December 2023, the Group recorded a revenue of HK\$196,694,000, a 16% increase from HK\$169,926,000 for the previous year. The increase in revenue was mainly attributable to (i) the recognition of a trading gain of HK\$4,165,000 for the sale of financial assets, in contrast with a trading loss of HK\$9,850,000 in the year ended 31 December 2022, and (ii) a HK\$29,428,000 generated from the newly expanded golf club operation. This increase was partly offset by a HK\$14,394,000 decrease in interest income on loans due to the non-recognition of interest income for loans classified under stage 3 (credit-impaired). Of the total revenue, HK\$31,474,000 was generated from money lending, HK\$83,421,000 was generated from the sale of jewelry products, HK\$48,206,000 was generated from property investment, HK\$29,428,000 was generated from golf club operation, and the trading gain of HK\$4,165,000 was generated from the sale of financial assets.

Loss for the year ended 31 December 2023 attributable to owners of the Company amounted to HK\$275,152,000, a 1% increase from HK\$272,772,000 for the year ended 31 December 2022. This increase was mainly attributable to (i) a HK\$59,140,000 decrease in gain on disposals of residential serviced apartments under long-term lease agreements treated as finance leases, (ii) a HK\$22,977,000 increase in impairment loss in respect of goodwill, (iii) a HK\$14,216,000 increase in the share of losses of associates, and (iv) the recognition of an income tax expense of HK\$19,116,000, in contrast to an income tax credit of HK\$28,839,000 in the previous year, which were partly offset by (i) a HK\$58,862,000 decrease in the loss arising on a change in the fair value of financial assets at fair value through profit or loss (“**FVTPL**”), (ii) a HK\$34,282,000 decrease in allowance for expected credit losses (“**ECL**”) on loan receivables, (iii) the recognition of the trading gain of HK\$4,165,000 for the sale of financial assets, in contrast with the trading loss of HK\$9,850,000 in the year ended 31 December 2022, and (iv) the recognition of a one-off gain of HK\$33,445,000 on the modification of the terms of the Guaranteed Secured Notes due 2025 (as defined below).

The gross profit of the sale of jewelry products business increased by 22% from HK\$11,215,000 in the year ended 31 December 2022 to HK\$13,712,000 in the year ended 31 December 2023. In addition, the gross profit margin for the sale of jewelry products business increased from 14% in the year ended 31 December 2022 to 16% in the year ended 31 December 2023. These increases in gross profit and gross profit margin are discussed in the “*Sale of jewelry products business*” section under “Operations Review” below.

The gross profit for the property investment business increased by 5% from HK\$33,482,000 in the year ended 31 December 2022 to HK\$35,246,000 in the year ended 31 December 2023. The gross profit margin for the property investment business increased from 65% in the year ended 31 December 2022 to 73% in the year ended 31 December 2023. These increases in gross profit and gross profit margin are discussed in the “*Property investment business*” section under “Operations Review” below.

The newly expanded golf club operation business generated a gross profit of HK\$13,306,000 and recorded a gross profit margin of 45%. The gross profit and gross profit margin of the newly expanded golf course business are discussed in the “*Golf club operation business*” section under “Operations Review” below.

Significant items of other gains and losses recorded by the Group are as follows:

- (a) During the year ended 31 December 2023, the vacant possession of three residential serviced apartments was delivered to lessees under long-term lease agreements. In accordance with the applicable accounting standards, the residential serviced apartments delivered under the long-term lease agreement were treated as disposals instead of recognising their rental income over the lease term. As a result, the Group recognised a gain on disposals of residential serviced apartments of HK\$18,411,000. Please refer to the “*Property investment business*” section under “Operations Review” below for accounting treatment for leasing of the properties erected on the Subject Land (as defined below) under long-term lease agreements.
- (b) In negotiating with the holder of the guaranteed secured notes due 2023 for an extension, the holder has agreed to extend the maturity for two years and reduce the interest rate from 17% per annum to 10% per annum. At the end of the reporting period, the Group measured the fair value of the Guaranteed Secured Notes due 2025 (as defined below) with reference to a valuation prepared by an independent professional valuer and recognised the gain on modification of the terms of guaranteed secured notes of HK\$33,445,000.
- (c) At the end of the reporting period, the Group measured its Hong Kong-listed equity securities at fair value based on the closing prices quoted on The Stock Exchange of Hong Kong Limited (the “**Exchange**”) and recognised a loss of HK\$11,036,000 arising on change in fair value of financial assets at FVTPL.
- (d) At the end of the reporting period, the directors performed an impairment test for the goodwill arising from the acquisition of the entire issued shares in and the shareholder’s loan due by Smart Title Limited with reference to the valuations prepared by an independent professional valuer and recognised an impairment loss in respect of goodwill of HK\$51,779,000. Please refer to the “*Property investment business*” and “*Golf club operation business*” sections under “Operations Review” below for information on the recognition of the impairment loss in respect of goodwill.

Selling and distribution expenses mainly represent staff costs and commission of the sales team, overseas travelling expenses, freight charges, and exhibition expenses incurred by the Group's sale of jewelry products business. Selling and distribution expenses increased by 20% from HK\$3,817,000 in the year ended 31 December 2022 to HK\$4,578,000 in the year ended 31 December 2023. This increase was mainly attributable to increased overseas travelling and exhibition expenses for business development.

Allowance for ECL on financial assets decreased from HK\$167,703,000 in the year ended 31 December 2022 to HK\$132,729,000 in the year ended 31 December 2023. Of the total allowance for ECL on financial assets for the year ended 31 December 2023, HK\$132,972,000 was recognised for loan receivables, which is discussed in the "*Money lending business*" section under "Operations Review" below, and HK\$120,000 was recognised for trade receivables, which were partly offset by a reversal of allowance for ECL of HK\$363,000 for other receivables.

Administrative expenses increased by 11% from HK\$116,382,000 in the year ended 31 December 2022 to HK\$129,153,000 in the year 31 December 2023. This increase was mainly attributable to (i) a HK\$6,600,000 increase in salaries and allowances mainly resulting from the bonuses paid to the Group's marketing team for leasing activities and two directors of a subsidiary and the commencement of the Group's golf club operation business in the fourth quarter of 2023 and (ii) a HK\$13,075,000 increase in general administration expenses resulting from the commencement of the golf club operation business in the fourth quarter of 2023, which were partly offset by a HK\$7,397,000 decrease in legal and professional fees.

Share of losses of associates amounted to HK\$31,914,000 for the year ended 31 December 2023, representing (i) the share of loss of HK\$2,805,000 from Elite Prosperous Investment Limited ("**Elite Prosperous**"), a 49% owned associate of the Company, (ii) the share of loss of HK\$29,382,000 from China Healthwise Holdings Limited ("**China Healthwise**"), a 21.94% owned associate of the Company, and (iii) a gain on bargaining purchase of an associate of HK\$273,000 arising from the acquisition of 3,380,000 shares in China Healthwise by the Group during the year.

Finance costs increased by 9% from HK\$61,072,000 in the year ended 31 December 2022 to HK\$66,603,000 in the year ended 31 December 2023. This increase was mainly due to the rise in the interest rate from 13% per annum to 17% per annum in extending the guaranteed secured notes due 2023 in September 2022 and the increase in the Hong Kong Interbank Offered Rate ("**HIBOR**") since the third quarter of 2022.

The Group recorded an income tax expense of HK\$19,116,000 for the year ended 31 December 2023. The income tax expense mainly derived from (i) the recognition of deferred tax expense of HK\$24,426,000 relating to the Group's money lending business, (ii) the recognition of a reversal of the deferred tax credit of HK\$91,000 relating to the allowance for ECL previously made on the Group's other receivables, and (iii) the current year's tax expense of HK\$1,817,000, which were partly offset by the recognition of (i) deferred tax credit of HK\$6,672,000 resulting from the movements in the deferred tax liabilities recognised for the fair value adjustments on the acquisition of Smart Title Limited in October 2015 and (ii) deferred tax credit of HK\$546,000 resulting from the movements in deferred tax assets related to lease contracts.

Liquidity and financial resources

During the year ended 31 December 2023, the Group funded its operations through a combination of cash generated from operations, equity attributable to owners of the Company, and borrowings. Equity attributable to owners of the Company decreased from HK\$1,799,173,000 at 31 December 2022 to HK\$1,507,246,000 at 31 December 2023. This decrease was due to the loss incurred by the Group for the year ended 31 December 2023.

At 31 December 2023, the cash and cash equivalents of the Group amounted to HK\$18,359,000 (2022: HK\$34,765,000).

At 31 December 2023, the Group had outstanding borrowings of HK\$653,904,000 (2022: HK\$664,809,000) representing:

- (a) the carrying principal amount of the guaranteed secured notes due 2025 issued by the Company on 29 December 2022 (the “**Guaranteed Secured Notes due 2025**”) of HK\$165,245,000, which is interest-bearing at 17% per annum for the period from 24 September 2022 to 22 January 2024 and 10% per annum from 23 January 2024, secured by (i) a share charge over 100% issued shares in Eternity Investment (China) Limited, a wholly-owned subsidiary of the Company and the principal assets of which are (1) the rights to construct and operate the club facilities of a membership golf club and resort (the “**Club**”) in Beijing, Mainland China and (2) the rights to develop and operate a piece of 580 Chinese acre land adjacent to the Club (the “**Subject Land**”) and the rights to manage the properties erected on the Subject Land, and (ii) the personal guarantees given by Mr. Lei Hong Wai, the Chairman of the Board and an executive director, and Mr. Cheung Kwok Wai Elton, an executive director, and maturing on 23 September 2025;
- (b) the banking facilities granted by a bank in the aggregate principal amount of HK\$144,196,000, comprising (i) an installment loan of HK\$96,841,000, which is interest-bearing at 1% per annum over one-month HIBOR or 2.25% per annum below the prime rate quoted by the bank from time to time, whichever is lower, secured by (1) a first legal charge over the Group’s properties located at Unit Nos. 1201, 1202, 1203, 1209, 1210, 1211 & 1212 and the corridor on the 12th Floor, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong (the “**Shun Tak Property**”) and (2) a charge/mortgage over the cash deposit, structured investment products, stocks, the key management personnel life insurance policy, and other securities held by a wholly-owned subsidiary of the Company, guaranteed by the Company and two wholly-owned subsidiaries of the Company, and repayable by 171 equal monthly installments ending on 18 March 2038, (ii) a term loan in the principal amount of HK\$37,580,000, which is interest-bearing at 1% per annum over one-month HIBOR, secured by (1) the first legal charge over the Shun Tak Property and (2) a charge/mortgage over the cash deposit, structured investment products, stocks, the key management personnel life insurance, and other securities held by the wholly-owned subsidiary of the Company, guaranteed by the Company and two wholly-owned subsidiaries of the Company, and repayable by 219 equal monthly installments ending on 10 March 2042, and (iii) a term loan in the principal amount of US\$1,248,000 (equivalent to HK\$9,775,000), which is interest-bearing at 1% per annum over one month bank’s cost of funds on the outstanding amount, secured by

- (1) the first legal charge over Shun Tak Property and (2) the charge/mortgage over the cash deposit, structured investment products, stocks, the key management personnel life insurance policy, and other securities held by a wholly-owned subsidiary of the Company, guaranteed by the Company, and two wholly-owned subsidiaries of the Company, and repayable by 224 equal monthly installments ending on 25 August 2042;
- (c) a loan of HK\$200,000,000 granted by a finance company, which is interest-bearing at 8% per annum for the period from the date of the first drawdown to 31 March 2024 and 10% per annum from 1 April 2024, secured by (i) the post-dated cheques drawn in favour of the finance company for payment of the principal and the interests stipulated under the loan agreement, and (ii) a personal guarantee given by Mr. Lei Hong Wai, and maturing on 1 April 2025;
- (d) a loan of HK\$874,000 granted by a finance company, which is unsecured, interest-bearing at the prime rate plus 3% per annum, and maturing on 21 March 2024;
- (e) the securities margin financing facility of HK\$38,550,000 granted by a securities brokerage firm, which is interest-bearing at prime rate plus 3% per annum and secured by the Group's Hong Kong-listed equity securities held in the margin securities trading account and a personal guarantee given by Mr. Lei Hong Wai;
- (f) the securities margin financing facility of HK\$15,324,000 granted by a securities brokerage firm, which is interest-bearing at a fixed rate of 6% per annum and secured by the Group's Hong Kong-listed equity securities held in the margin securities trading account and a personal guarantee given by Mr. Lei Hong Wai;
- (g) the cash advance of HK\$121,000 made by Mr. Lei Hong Wai, which is non-interest bearing, unsecured, and repayable on demand;
- (h) the cash advance of HK\$3,400,000 made by Mr. Cheung Kwok Fan, an executive director, which is non-interest bearing, unsecured, and repayable on demand;
- (i) the cash advance of HK\$32,335,000 made by Mr. Cheung Kwok Wai Elton, which is interest-bearing at the one-month HIBOR quoted by Bank of China (Hong Kong) Limited plus 1.3% per annum or 2.25% per annum below the prime rate for Hong Kong dollars quoted by Bank of China (Hong Kong) Limited, whichever is lower, unsecured, and repayable on demand; and
- (j) the cash advance of HK\$53,859,000 made by Ms. Chan Mei Sau Teresina, the spouse of Mr. Cheung Kwok Wai Elton, which is interest-bearing at the one-month HIBOR quoted by Bank of East Asia Limited plus 1.3% per annum or 2.50% per annum below the prime rate for Hong Kong dollars quoted by Bank of East Asia Limited, whichever is lower, unsecured, and repayable on demand.

Gearing ratio

At 31 December 2023, the gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of the Company was 43% (2022: 37%).

Net current liabilities and current ratio

At 31 December 2023, the Group's net current liabilities and current ratio were HK\$305,985,000 (2022: HK\$241,897,000) and 0.66 (2022: 0.78), respectively.

Capital structure

During the year ended 31 December 2023, there was no change in the Company's capital structure.

Material acquisitions of subsidiaries, associates, and joint ventures

During the year ended 31 December 2023, the Group did not have any material acquisitions of subsidiaries, associates and joint ventures.

Material disposals of subsidiaries, associates, and joint ventures

During the year ended 31 December 2023, the Group did not have any material disposals of subsidiaries, associates and joint ventures.

Pledge of assets

At 31 December 2023, the following Group's assets were pledged:

- (a) the Shun Tak Property with a carrying amount of HK\$328,455,000 (2022: HK\$333,951,000), of which HK\$164,755,000 (2022: HK\$170,151,000) was classified under "property, plant and equipment" and HK\$163,700,000 (2022: HK\$163,800,000) was classified under "investment properties", for securing the banking facilities granted to the Group;
- (b) the 100% issued shares in Eternity Investment (China) Limited with the unaudited combined net assets of HK\$1,335,463,000 (2022: HK\$1,361,847,000) after adjusting for purchase price allocation for securing the Guaranteed Secured Notes due 2025;
- (c) the Group's Hong Kong-listed equity securities with a fair value of HK\$104,012,000 (2022: HK\$132,920,000), of which HK\$97,315,000 (2022: HK\$102,049,000) was related to the Group's financial assets at FVTPL and HK\$6,697,000 (2022: HK\$30,871,000) was related to a part of the Group's listed investment in an associate, for securing the margin financing facilities and banking facilities granted to the Group;

- (d) the bank deposits of HK\$23,000 (2022: HK\$779,000) for securing the banking facilities granted to the Group; and
- (e) the key management personnel life insurance of HK\$9,846,000 (2022: HK\$9,527,000) to secure the banking facilities granted to the Group.

Material commitments

At 31 December 2023, the Group had a total commitment of HK\$255,967,000 (2022: HK\$234,191,000) relating to the development costs for the Subject Land, which were contracted but not provided for.

Exchange risk and hedging

The majority of the Group's transactions, assets, and liabilities are denominated in Hong Kong dollars and Renminbi. The Group is exposed to exchange risk with respect mainly to Renminbi, which may affect its performance. The directors closely monitor statements of financial position and cash flow exchange risk exposures and, where considered appropriate, use financial instruments, such as forward exchange contracts, foreign currency options, and forward rate agreements, to hedge this exchange risk. During the year ended 31 December 2023, no financial instruments for hedging purposes were used by the Group.

Contingent liabilities

- (a) On 6 May 2021, a Beijing law firm as plaintiff filed a civil claim to the People's Court in Chaoyang District, Beijing, Mainland China against four defendants, one of the four defendants is 北京北湖九號商務酒店有限公司 (Beijing Bayhood No. 9 Business Hotel Company Limited, "**Bayhood No. 9 Co.**"), a wholly-owned subsidiary of the Company, for an unsettled legal fee of RMB31,000,000 (equivalent to HK\$34,209,000) (excluding overdue interest) regarding an engagement of such law firm by the four defendants to resolve a civil dispute brought against them by an independent third party in relation to a property transaction in 2010. Details of the civil claim are disclosed in the Company's announcement dated 6 August 2021.

The Group's Mainland Chinese legal adviser has advised that the possibility of Bayhood No. 9 Co. being required to pay the unsettled legal fee is remote. Accordingly, no provision for liability has been made with respect to the civil claim.

- (b) On 13 January 2023, certain bank accounts of Bayhood No. 9 Co. were frozen by a civil ruling (the "**Civil Ruling**") (民事裁定書) dated 13 January 2023 issued by 北京市海澱區人民法院 (Haidian District People's Court of Beijing Municipality) (the "**Court**") against Bayhood No. 9 Co. in relation to an alleged unsettled liability before the acquisition of the entire issued share capital of Smart Title Limited on 6 October 2015 (the "**Acquisition**"), the principal and the interest of which amounted to approximately RMB44,000,000 (equivalent to HK\$48,554,000) as at 1 January 2023 (the "**Alleged Liability**").

Based on the findings, the directors noted that the Civil Ruling is related to a civil filing (the “**Civil Filing**”) filed by a plaintiff (the “**Plaintiff**”) to the Court on 9 January 2023. Pursuant to the Civil Filing, Bayhood No. 9 Co., together with the other three defendants to the Civil Filing, were alleged that (i) they had entered into an agreement in 2019 (the “**Settlement Agreement**”) with the Plaintiff in relation to the settlement of the property pre-sale agreements (the “**Pre-Acquisition Agreements**”) which had been entered into before the Acquisition and (ii) they had not repaid the Alleged Liability in relation to the Settlement Agreement.

None of the directors and the directors of Bayhood No. 9 Co. has any knowledge or was aware of any information in relation to the Pre-Acquisition Agreements and the Settlement Agreement before the Civil Filing came to their attention, nor had they authorised the entering into of the Settlement Agreement. There has been no relevant information regarding Pre-Acquisition Agreements and the Settlement Agreement shown in the books and records of Bayhood No. 9 Co. since the consolidation of its accounts into that of the Group upon completion of the Acquisition. In view of the above matters, on 4 February 2023, the Company reported to 北京市公安局朝陽分局 (Chaoyang Branch Bureau of Beijing Municipal Public Security Bureau) regarding the forgery of the relevant documents and the company seal of Bayhood No. 9 Co..

On 28 March 2023, one of the defendants (the “**Responsible Defendant**”) entered into an undertaking agreement with the other defendants, including Bayhood No. 9 Co., pursuant to which the Responsible Defendant has agreed to undertake the repayment obligation to the Plaintiff and indemnify the other defendants in full in the event that they incur losses due to the claim.

The Group’s Mainland Chinese legal adviser is of the view that based on the relevant documents and the company chop of Bayhood No. 9 Co. are fraudulent, the Plaintiff’s statute of limitations for applying to the Court for the protection of civil rights has expired, i.e., over three years, and the Court would reject the claim of the Plaintiff by virtue of the law. Based on the view of the Group’s Mainland Chinese legal adviser and the indemnity given by the Responsible Defendant dated 28 March 2023, the directors of the Company are of the view that the possibility of Bayhood No. 9 Co. being required to pay the Alleged Liability is remote. Accordingly, no provision was made with respect to the claims on the Alleged Liability.

Employees and remuneration policy

At 31 December 2023, the headcount of the Group was 393 (2022: 102). Staff costs (including directors’ emoluments) amounted to HK\$73,458,000 in the year ended 31 December 2023 (2022: HK\$57,840,000). The increase in staff costs was mainly attributable to the payment of bonuses to the Group’s marketing team for leasing activities and two directors of a subsidiary and the commencement of the Group’s golf club operation business in the fourth quarter of 2023. In addition to basic salaries, contributions to the retirement benefits scheme, and discretionary bonuses, staff benefits include a medical scheme, share options, and share awards.

Key performance indicators

The Company has defined the following key performance indicators (“KPIs”) which are closely aligned with the performance of the Group.

		For the year ended	
		31 December	
	<i>Notes</i>	2023	2022
Revenue		HK\$196,694,000	HK\$169,926,000
Loss for the year attributable to owners of the Company		HK\$275,152,000	HK\$272,772,000
Equity attributable to owners of the Company		HK\$1,507,246,000	HK\$1,799,173,000
Return on financial assets at FVTPL	<i>1</i>	-5%	-29%
Return on loan receivables	<i>2</i>	3%	5%
Return on capital employed in sale of jewelry products	<i>3</i>	11%	11%
Return on property investment – operating leases	<i>4</i>	3%	2%
Return on property investment – finance leases	<i>5</i>	28%	26%
Return on golf club operation	<i>6</i>	-4%	N/A

Notes:

- Return on financial assets at FVTPL includes trading gain and loss, gain and loss arising on change in fair value of Hong Kong-listed equity securities, and dividend income. It is measured as a percentage against the opening fair value of Hong Kong-listed equity securities and additions to Hong Kong-listed equity securities during the year.
- Return on loan receivables includes interest income on loans and written-off. It is measured as a percentage against average loan receivables (before accumulated allowance for ECL and accrued interest receivables).
- Return on capital employed in sale of jewelry products represents segment profit or loss from the sale of jewelry products business divided by average capital employed and is measured as a percentage.
- Return on property investment – operating leases includes gain and loss arising on change in fair value, rental income, gain and loss on disposal less amortisation of intangible assets in respect of the Club, depreciation expenses of the property, plant and equipment of the Club, depreciation of right-of-use assets in respect of the Club, and interest on lease liabilities in respect of the Club. It is measured as a percentage against opening fair value of investment properties, opening carrying amounts of intangible assets in respect of the Club, opening carrying amounts of property, plant and equipment of the Club, and additions to investment properties during the year.
- Return on property investment – finance leases represents gain on disposals of residential serviced apartments erected on the Subject Land divided by discounted Total Rental Income (as defined below) under long-term lease agreements and is measured as a percentage.

6. Return on golf club operation represents segment profit or loss from the golf club operation business divided by the opening carrying amounts of intangible assets and property, plant and equipment of the Club, and additions to property, plant, and equipment relating to the Club during the year.

Commentary on the performance of the Group against each of the KPIs is set out in the “*Results of operations*” and “*Liquidity and financial resources*” sections above and the relevant sections of the operating segments under “Operations Review” below.

These KPIs are reviewed regularly and amended occasionally to correspond with the changing mix of the Group’s principal activities.

Operations Review

Sale of financial assets business

During the year ended 31 December 2023, the Group’s sale of financial assets business reported a segment loss (before taxation) of HK\$6,508,000, a 92% decrease as compared to HK\$82,154,000 for the previous year. The decrease in segment loss (before taxation) was mainly due to the recognition of the trading gain of HK\$4,165,000 in the year ended 31 December 2023, in contrast to the trading loss of HK\$9,850,000 in the year ended 31 December 2022, and a HK\$58,862,000 decrease in the loss arising on change in fair value of financial assets at FVTPL.

During the year ended 31 December 2023, the Group acquired two Hong Kong-listed equity securities at the aggregate acquisition costs of HK\$7,957,000 and made a trading gain of HK\$4,165,000 from selling five Hong Kong-listed equity securities with the aggregate carrying amounts of HK\$25,515,000 at the aggregate net sale proceeds of HK\$29,680,000. The Hong Kong-listed equity securities held by the Group generated a dividend income of HK\$734,000. At the end of the reporting period, the Group measured its Hong Kong-listed equity securities at fair value based on the closing prices quoted on the Exchange and recognised the loss of HK\$11,036,000 arising on change in fair value of financial assets at FVTPL.

Movements in the carrying amount of the Hong Kong-listed equity securities held by the Group recorded as “financial assets at FVTPL” during the years ended 31 December 2023 and 2022 are as follows:

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Carrying amount at 1 January	125,910	255,954
<i>Add:</i> acquisitions	7,957	19,802
<i>Less:</i> disposals	(25,515)	(79,948)
loss arising on change in fair value recognised	<u>(11,036)</u>	<u>(69,898)</u>
Carrying amount at 31 December	<u><u>97,316</u></u>	<u><u>125,910</u></u>

Details of the Hong Kong-listed equity securities held by the Group recorded as “financial assets at FVTPL” at 31 December 2023 are as follows:

Name of Hong Kong-listed equity securities	Number of shares held at 31 December 2023	Fair value at 31 December 2023 <i>HK\$'000</i>	Fair value as compared to the consolidated total assets of the Group at 31 December 2023	Dividend received/ receivable in the year ended 31 December 2023 <i>HK\$'000</i>	Gain/(loss) arising on change in fair value recognised in the year ended 31 December 2023 <i>HK\$'000</i>
Brockman Mining Ltd. (stock code: 159)	78,223,000	10,951	0.36%	–	(1,408)
China Treasures New Materials Group Ltd. (stock code: 2439)	6,370,000	13,186	0.43%	–	8,686
Frontier Services Group Ltd. (stock code: 500)	47,807,000	10,757	0.35%	–	(5,020)
Global Mastermind Holdings Ltd. (stock code: 8063)	94,497,000	5,009	0.16%	–	(1,605)
Huanxi Media Group Ltd. (stock code: 1003)	27,100,000	18,157	0.59%	–	(11,653)
Huayi Tencent Entertainment Company Ltd. (stock code: 419)	10,580,000	1,238	0.04%	–	(296)
KuangChi Science Ltd. (stock code: 439)	1,100,000	112	0.00%	–	(75)
Lajin Entertainment Network Group Ltd. (stock code: 8172)	32,640,000	1,893	0.06%	–	(2,448)
Nimble Holdings Company Ltd. (stock code: 186)	83,673,268	24,265	0.79%	–	1,673
Ocean Line Port Development Ltd. (stock code: 8502)	12,096,000	4,173	0.14%	726	1,270
SuperRobotics Holdings Ltd. (stock code: 8176)	8,925,000	2,231	0.07%	–	268
Yunfeng Financial Group Ltd. (stock code: 376)	5,344,000	<u>5,344</u>	0.17%	<u>–</u>	<u>(428)</u>
		<u><u>97,316</u></u>		<u><u>726</u></u>	<u><u>(11,036)</u></u>

The directors believe that the future performance of the Hong Kong-listed equity securities held by the Group is primarily affected by economic factors, investor sentiment, demand and supply balance of an investee company's shares, and fundamentals of an investee company, such as the investee company's news, business fundamentals and development, financial performance, and prospects. Accordingly, the directors closely monitor the above factors, particularly the fundamentals of each investee company in the Group's equity securities portfolio, proactively adjust the Group's equity securities portfolio mix from time to time, and realise the Hong Kong-listed equity securities into cash as and when appropriate.

Return on financial assets at FVTPL improved from -29% for the year ended 31 December 2022 to -5% for the year ended 31 December 2023, mainly due to the decrease in the loss arising on change in fair value of financial assets at FVTPL.

Money lending business

During the year ended 31 December 2023, the Group's money lending business generated interest income on loans amounting to HK\$31,474,000, a 31% decrease from HK\$45,868,000 for the previous year. The segment loss (before taxation) was HK\$124,120,000, an 17% decrease from HK\$148,853,000 for the previous year.

The 31% decrease in interest income on loans was mainly due to no further interest income being recognised for loan receivables that were classified under stage 3 (credit-impaired) and fully impaired.

The 17% decrease in segment loss (before taxation) was mainly attributable to a HK\$34,282,000 decrease in allowance for ECL on loan receivables, which was partly offset by a HK\$14,394,000 decrease in interest income on loans.

During the year ended 31 December 2023, no new loan was granted, and the final repayment dates of two existing loans with an aggregate principal amount of HK\$25,000,000 were extended. In addition, no customers made drawings from the existing loans, and six customers repaid HK\$26,698,000 to the Group.

At 31 December 2023, 14 loans granted by the Group's money lending business remained outstanding. Six loan receivables with an aggregate gross balance of HK\$254,267,000 were classified under stage 1 (initial recognition), and eight loan receivables with an aggregate gross balance of HK\$749,253,000 were classified under stage 3 (credit-impaired). During the year ended 31 December 2023, two loan receivables with an aggregate gross balance of HK\$59,506,000 were reclassified from stage 1 (initial recognition) to stage 3 (credit impaired) due to the two customers' failure to repay the outstanding principal amount of the loans and the accrued and unpaid interest thereon on the final repayment dates. The Group is currently negotiating with the customers with a view to entering into binding settlement agreements. As at the date of this results announcement, the negotiations were still ongoing.

At the end of the reporting period, the directors performed an impairment assessment on the Group's loan receivables with reference to a valuation prepared by an independent professional valuer. The valuation measured impairment on loan receivables using the general approach, which is often referred to as the "three-stage model" under Hong Kong Financial Reporting Standard 9 *Financial Instruments*. Based on the valuation, an allowance for ECL on loan receivables of HK\$132,972,000 was made, a HK\$34,282,000 decrease compared to the year ended 31 December 2022. Of the total allowance for ECL, HK\$3,802,000 was recognised for the loan receivables classified under stage 1 (initial recognition), and HK\$129,170,000 was recognised for the loan receivables classified under stage 3 (credit impaired).

The allowance for ECL of HK\$129,170,000 recognised for the loan receivables under stage 3 (credit-impaired) comprised (i) HK\$44,795,000 recognised for the two loan receivables with an aggregate gross balance of HK\$59,506,000 reclassified from stage 2 (significant increase in credit risk) to stage 3 (credit-impaired) and (ii) a further allowance of HK\$93,900,000 recognised to fully impair the remaining balances of two loan receivables with an aggregate gross balance of HK\$243,342,000 that had already been classified under stage 3 (credit-impaired), which were partly offset by a reversal of allowance for ECL of HK\$9,525,000 resulting from the recovering of unpaid interest on loan receivables classified under stage 3 (credit-impaired).

At 31 December 2023, the Group's loan and interest receivables (after accumulated allowance for ECL) amounted to HK\$248,614,000 (2022: HK\$412,069,000).

Return on loan receivables decreased from 5% for the year ended 31 December 2022 to 3% for the year ended 31 December 2023 mainly due to no further interest income being recognised for loan receivables that were classified under stage 3 (credit-impaired) and fully impaired.

Information on the Group's money lending business, including (i) business model, (ii) internal control system, (iii) basis of determining the allowance for ECL on loan receivables, (iv) major terms of each outstanding loan receivables, and (v) actions being taken for recovering the loan receivables classified under stage 3 (credit-impaired) are disclosed in the Company's annual report for the year ended 31 December 2023.

Sale of jewelry products business

During the year ended 31 December 2023, the Group's sale of jewelry products business generated revenue of HK\$83,421,000, a 1% increase from HK\$82,397,000 for the previous year, and reported a segment profit (before taxation) of HK\$2,730,000, a 72% increase from HK\$1,588,000 in the previous year.

Since the second half of 2022, the Group has seen a slowdown in sales orders for its jewelry products due to the erosion of buying intention of jewelry products resulting from the depreciation of the Euro and a surge in inflation and interest rates. The significant increase in gold price has also further worsened the buying intention of jewelry products. In response to the slowdown in sales orders for its jewelry products, the Group put more effort into obtaining sales orders for jewelry accessories, which generally have a high volume with a slim profit margin. Due to the significant increase in gold price, the Group increased the selling prices of its jewelry products in line with other jewelry producers in the market. Such an increase in the selling prices of jewelry products resulted in an improvement in gross profit, gross profit margin, and segment profit (before taxation) in the year ended 31 December 2023.

To cope with the sluggish market condition and the surge in gold price, the Group is expanding its product categories by developing budgeted jewelry products to meet the shrinking budget of the consumer public. In the fourth quarter of 2023, the Group launched its other stone-type jewelry products and received sales inquiries from several customers requesting product samples for evaluation. It was expected that customers would not place any quantity orders for the other stone-type jewelry products until the first quarter of 2024. In addition, the Group would cultivate new markets for its jewelry products, such as Japan and other Southeast Asian countries, in 2024.

At the end of the reporting period, the directors performed an impairment assessment on the Group's trade receivables based on a valuation prepared by the independent professional valuer. Based on the valuation, an allowance for ECL on trade receivables of HK\$120,000 was made, a HK\$472,000 decrease compared to the previous year.

At 31 December 2023, the Group's inventories of jewelry products, including raw materials, work-in-progress, and finished goods, amounted to HK\$31,235,000 (2022: HK\$32,153,000). The Group's sale of jewelry products business had undelivered sales orders amounting to HK\$1,200,000 (2022: HK\$587,000).

Return on capital employed in sale of jewelry products was 11% for the year ended 31 December 2023 and 2022.

Property investment business

During the year ended 31 December 2023, the Group's property investment business generated a turnover of HK\$48,206,000, a 6% decrease from HK\$51,511,000 for the previous year, and recorded a segment loss (before taxation) of HK\$52,446,000. In contrast, a segment profit (before taxation) of HK\$13,316,000 was recorded in the previous year.

Of the total turnover, HK\$22,585,000 was rental income generated from the assets of the Club, HK\$4,363,000 was rental income generated from the investment property portion of the Shun Tak Property, HK\$4,940,000 was rental income generated from the residential serviced apartments under short-term lease agreements, HK\$14,742,000 was generated from the recognition of membership fees relating to the membership of the Club on sold to the lessees of the residential serviced apartments, and HK\$1,576,000 was derived from property and car parks management fees. Following the delivery of the vacant possession of the residential serviced apartments to lessees upon completion of three blocks of residential serviced apartments erected on the Subject Land in the third quarter of 2022, rental income is generated from the residential serviced apartments under short-term lease agreements, and property management fees are charged to the delivered residential serviced apartments. The decrease in turnover mainly resulted from a HK\$8,865,000 decrease in the rental income generated from the assets of the Club as the club lease agreement relating to the assets of the Club was terminated by the lessee on 5 October 2023, which was partly offset by (i) a HK\$3,749,000 increase in the rental income generated from the residential serviced apartments under short-term lease agreements, and (ii) a HK\$1,231,000 increase in management fees for property and car parks. The improvement in gross profit and gross profit margin was mainly due to the allocation of the lease payments of the Club to the golf club operation business following the termination of the club lease agreement.

The deterioration in segment results was mainly attributable to (i) the HK\$59,140,000 decrease in gain on disposals of residential serviced apartments resulting from a decrease in the number of residential serviced apartments delivered for vacant possession under long-term lease agreements and (ii) the HK\$22,977,000 increase in impairment loss in respect of goodwill, which were partly offset by a HK\$15,798,000 increase in imputed interest income on other receivables for leasing of residential serviced apartments under long-term lease agreements due to the full-year effect on interest income recognition.

The Company's indirect wholly-owned subsidiary, Bayhood No. 9 Co., owns (i) the rights to construct and operate the club facilities of the Club and (ii) the rights to develop and operate the Subject Land and the rights to construct and manage properties (each a "**Property**" and collectively, the "**Properties**") erected on the Subject Land (the "**Management Rights**") for around 39 years until 30 January 2062. As disclosed previously in the Company's annual report for the year ended 31 December 2020, due to the unprecedented impact of the COVID-19 pandemic on the hotel industry, the Company modified its business strategy for the second and third phases of the Subject Land such that the Properties are constructed and leased out on a long-term or short-term lease basis.

The second and third phases of the Subject Land have been developed into seven blocks of three-storey residential serviced apartments comprising 279 residential serviced apartments with an aggregate gross floor area of 45,165 square meters (with individual apartments of sizes ranging from approximately 88 to 459 square meters), together with two blocks of three-storey office buildings each having a gross floor area of approximately 6,300 square meters with total construction costs of RMB727,000,000 (equivalent to HK\$802,245,000). The residential serviced apartments and the office buildings are offered for lease by Bayhood No. 9 Co..

While all the lease agreements entered into with the lessees of the Properties are negotiated by the marketing staff of Bayhood No. 9 Co. in Mainland China on arm's length basis in the Group's ordinary course of business with each lessee separately at different times by way of genuine standalone transactions, Bayhood No. 9 Co. endeavours to include the following key terms in the lease agreements: (i) the lease term may be long-term or short-term depending on the lessee's preference, but in any event shall not exceed the remaining tenure of the Management Rights, (ii) the payment terms (the "**Payment Terms**") of the total rental income for the entire lease term (the "**Total Rental Income**") may range from one-off payment or payment by installments, (iii) the title of the Properties erected on the Subject Land remains to be owned by Bayhood No. 9 Co., and the lessees are required to surrender the Properties back to Bayhood No. 9 Co. unconditionally and without receiving any compensation at the end of the lease term, and (iv) the lessees are liable to pay a break fee on default of the lease agreements, which is equivalent to 15% of the Total Rental Income. The Company will comply with Chapters 14 and 14A of the Rules Governing the Listing of Securities on the Exchange (the "**Listing Rules**") if the applicable ratios for any of these lease agreements exceed the relevant percentage thresholds or any of the lessees (and the ultimate beneficial owners of the corporate lessees) is a connected person of the Company (as defined in the Listing Rules).

Under the applicable accounting standards, long-term lease agreements are treated as finance leases as the lease term substantially covers the remaining period of the Management Rights. On the delivery of vacant possession of a Property to a lessee under a long-term lease agreement, the Total Rental Income discounted at the interest rate implicit in the long-term lease agreement is recognised as "finance lease receivables", the relevant value-added tax ("**VAT**") based on the discounted Total Rental Income at the current applicable tax rate is recognised as "VAT payable", and the related assets of the Property recorded in "property, plant and equipment", "intangible assets", and "right-of-use assets" are derecognised. A gain or loss calculated at the discounted Total Rental Income minus the VAT payable and the derecognised related assets of the Property is recognised as "gain or loss on disposal" in the "Other gains and losses" line item in the consolidated statement of profit or loss and other comprehensive income. For a signed long-term lease agreement that a Property is expected to deliver within 12 months, the related assets of the Property are classified as "assets classified as held for sale" under current assets in the consolidated statement of financial position until the vacant possession of the Property is delivered.

On the other hand, short-term lease agreements are treated as operating leases. The Group recognises the Total Rental Income (net of VAT) as rental income on a straight-line basis over the term of a short-term lease agreement commencing on the delivery of vacant possession of a Property to a lessee. Upon commencement of a short-term lease agreement, the related assets of the Property recorded in "property, plant and equipment", "intangible assets", and "right-of-use assets" are transferred to "investment properties". At the end of the reporting period, such investment properties are measured at fair value based on a valuation prepared by an independent professional valuer.

During the year ended 31 December 2023, one long-term lease agreement for a residential serviced apartment was signed, no lease agreement for office premises was signed, and the vacant possession of three residential serviced apartments was delivered under long-term lease agreements. As a result, the Group recognised the gain on disposals of residential serviced apartments of HK\$18,411,000 in the year ended 31 December 2023.

At 31 December 2023, there were three signed long-term lease agreements for residential serviced apartments remaining undelivered.

The applicable ratios calculated in respect of each of the lease agreements entered into by Bayhood No. 9 Co. were under 5%, and none of them constituted a notifiable transaction to the Company under Chapter 14 of the Listing Rules. To the best of the directors' knowledge, information, and belief, having made all reasonable enquiries, all the lessees (and the ultimate beneficial owners of the corporate lessees) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Despite a sign showing that the Mainland Chinese economy is slowing down, the Group's Mainland Chinese marketing team for leasing activities will strive to achieve a high level of occupancy rate through a competitive pricing policy compared to similar properties in adjacent areas and flexible Payment Terms to provide incentives to interested lessees. The Group has also established a performance-linked remuneration system to incentivise its Mainland Chinese marketing team. Through the efforts of its staff, the Group intends to create a continuous income stream derived from the annual rental income of the Properties for the remaining period of the Management Rights.

At the end of the reporting period, the directors performed an impairment test for the goodwill arising from the acquisition of Smart Title Limited, the intangible assets, and the right-of-use assets relating to (i) the rights to construct and operate the club facilities of the Club and (ii) the rights to develop and operate the Subject Land and the rights to manage the properties erected on the Subject Land with reference to the discounted cash flow projections to assess the value in use of the property investment business and the golf club operation business in Beijing, Mainland China. As the carrying amount of the cash-generating units of the Group's property investment business and golf club operation business exceeded their recoverable amounts, an impairment loss of HK\$51,779,000 in respect of the goodwill was recognised for the year ended 31 December 2023. The impairment loss arose from (i) the removal of three residential serviced apartments delivered under long-term lease agreements (being treated as disposals for accounting purposes) from the discounted cash flow projection of the property investment business, with the correspondence gain on disposals being recognised in the "Other gains and losses" line item in the consolidated statement of profit or loss and other comprehensive income, and (ii) the change in key assumption and input for longer delivery dates of residential serviced apartments and office premises used in the discounted cash flow projection of the property investment business to reflect the prevailing market conditions and the management's latest estimation.

At the end of the reporting period, the directors measured the investment properties of the residential serviced apartments under short-term lease agreements. Based on a valuation prepared by an independent qualified valuer, the Group recognised a loss of HK\$1,776,000 arising on change in fair value of investment properties.

At the end of the reporting period, the directors measured the investment property portion of the Shun Tak Property at fair value. Based on a property valuation prepared by the independent qualified valuer, the fair value of the investment property portion of the Shun Tak Property decreased from HK\$163,800,000 at 31 December 2022 to HK\$163,700,000 at 31 December 2023. Accordingly, the Group recognised a loss of HK\$100,000 arising on change in fair value of investment properties.

Return on property investment – operating leases increased from 2% for the year ended 31 December 2022 to 3% for the year ended 31 December 2023. This increase was mainly attributable to the full-year effect on the rental income generated from the residential serviced apartments under short-term leases.

Return on property investment – finance leases increased from 26% for the year ended 31 December 2022 to 28% for the year ended 31 December 2023. This increase was mainly attributable to the delivery of the vacant possession of three residential serviced apartments under long-term lease agreements to lessees during the year.

Golf club operation business

On 3 April 2023, the Group received an advance notice from the lessee of the assets of the Club for the termination of the club lease agreement by 5 October 2023. Upon such termination by 5 October 2023, the Group expanded into the golf club operation business by operating and managing the Club on its own.

With a proximity location, the Club is only about a 10-minute drive from the Beijing Capital International Airport and a 25-minute drive from the urban center of Beijing. The Club is one of Beijing's largest high-end leisure complexes operating under membership plans for corporations and individuals. With an area of 1,150 Chinese acres, the Club was designed jointly by several world-renowned design firms with a comprehensive range of facilities, including an 18-hole golf course, a golf academy, restaurants, lakeside VIP private rooms, conference facilities, and a retail shop. The Group's golf club operation business mainly derives income from membership, golf club operation, and food and beverage operation.

Given that the Subject Land is located next to the Club, the directors consider that the operation and management of the Club by the Group itself will provide great flexibility to the Group in formulating marketing plans for leasing the residential serviced apartments erected on the Subject Land, such as allowing admission by lessees to use the facilities of the Club.

During the period from 5 October 2023 to 31 December 2023, the Group's newly expanded golf club operation business generated a turnover of HK\$29,428,000 and recorded a segment loss (before taxation) of HK\$7,235,000. The segment loss mainly resulted from the golf course of the Club being closed for winter from November 2023.

Return on golf club operation business was -4% for the year ended 31 December 2023.

Investments in associates

Elite Prosperous is an investment holding company whose principal asset is 47,643 ordinary shares in an unlisted investment holding company, representing 2.65% of the entire issued share capital of the unlisted investment holding company. The principal subsidiaries of the unlisted investment holding company are engaged in (i) agency payment services, (ii) currency exchange services, and (iii) provision of online, mobile, and cross-border payment services. At the end of the reporting period, Elite Prosperous measured its investment in the unlisted investment holding company at fair value. Based on a valuation prepared by an independent professional valuer, the fair value of the investment decreased from HK\$11,259,000 at 31 December 2022 to HK\$5,535,000 at 31 December 2023. Accordingly, Elite Prosperous recognised a loss of HK\$5,724,000 arising on change in fair value of its investment in the unlisted investment holding company. During the year ended 31 December 2023, Elite Prosperous reported a loss of HK\$5,724,000, and accordingly, the Group shared a loss of HK\$2,805,000 from Elite Prosperous.

China Healthwise is an investment holding company, and its subsidiaries are principally engaged in sales of Chinese health products, money lending business, and investment in financial instruments. During the year ended 31 December 2023, the Group acquired 3,380,000 shares in China Healthwise at a consideration of HK\$197,000 on the open market. Accordingly, the Group's shareholding interests in China Healthwise increased from 21.50% to 21.94%. The acquisition of the 3,380,000 shares in China Healthwise resulted in the gain on bargaining purchase of an associate of HK\$273,000. During the year ended 31 December 2023, China Healthwise reported a loss of HK\$134,558,000, a HK\$80,284,000 increase from HK\$54,274,000 in the previous year, and the Group shared a loss of HK\$29,382,000 from China Healthwise. The deterioration of China Healthwise's results in the year ended 31 December 2023 was due to a significant increase in impairment loss on its loan receivables.

Future Prospects

The global economy performed better than expected in 2023 and continues to display remarkable resilience, with inflation declining steadily and growth holding up. However, new problems emerged over the past year. The Russia-Ukraine conflict continues, there is a new war and crisis in the Middle East, tensions between the United States and Mainland China remain significant, and patterns of trade and cross-border investment are shifting. With this backdrop, the directors expect uncertainty in the global macroeconomic environment in 2024.

The directors expect the global macroeconomic environment to remain uncertain in 2024. As such, the directors will cautiously monitor the equity market, adjust the Group's equity securities portfolio from time to time, and realise the Group's equity securities into cash as and when appropriate in 2024.

Given the global macroeconomic environment is expected to be uncertain, the directors intend to maintain the size of the Group's loan portfolio in 2024. As a result, the interest income on loans generated from the Group's money lending business in 2024 is expected to be more or less the same as in 2023. Nevertheless, the directors will closely monitor the performance of the Group's loan portfolio, especially in each customer's repayment and financial condition, and make every effort to recover the overdue loan receivables.

Due to the sluggish market condition, the Group has been developing new product lines, such as other stone-type and budgeted jewelry products, to meet the shrinking budget of the consumer public. In addition, the Group has planned to broaden its sales territories by cultivating new overseas markets, such as Japan and other Southeast Asian countries. Although measures have been taken to improve the performance of the Group's sale of jewelry products business, the directors expect the performance of the Group's sale of jewelry products business in 2024 will be more or less the same as in 2023 due to the uncertainty casting on the global macroeconomic environment.

Although there is a sign showing that the Mainland Chinese economy is slowing down, the directors will put more effort and resources into marketing and leasing activities to achieve a high level of occupancy rate in order to build up the continuous income stream derived from rental income of the properties erected on the Subject Land. In addition, the directors will put more effort and resources into completing the remaining four blocks of residential serviced apartments and two blocks of office buildings as planned. As the club lease agreement relating to the assets of the Club was terminated on 5 October 2023, the directors expect that the rental income of the Group's property investment business will decrease significantly in 2024 compared to 2023.

In October 2023, the Group expanded into the golf club operation business following the termination of the club lease agreement relating to the assets of the Club by the lessee. The directors expect the performance of the Group's golf club operation business will be improved in 2024 as compared to 2023 due to the golf course of the Club being closed for winter from November 2023.

Due to the global macroeconomic environment remaining uncertain in 2024, the directors remain cautious and watchful over the key risks for 2024 and their impact. The directors commit to leading the Group to weather the challenges, monitor the business environment cautiously, and strengthen the Group's business foundation by focusing on its existing businesses.

Principal Risks and Uncertainties

A summary of the principal risks and uncertainties which may impact the Group's financial conditions, results of operations or future performance and how the Group to mitigate these risks is set out below.

This summary should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties faced by the Group, but rather those risks that the Group currently believes may have a significant impact on the Group's performance and future prospects.

<i>Principal risks</i>	<i>Description</i>	<i>Mitigating actions</i>
Strategic risk	Strategic risk is the risk that medium and long-term profitability and/or reputation of the Group could be adversely impacted by the failure either to identify or implement the correct strategy, or to react appropriately to changes in the business environment.	<ul style="list-style-type: none">• Extensive investment management experience of the Board.• Regularly review on strategy and performance of each business unit.• Perform comprehensive due diligence on all potential acquisitions.
Economic risk	Economic risk is the risk of any downturn in economic conditions could impact the Group's performance through higher bad debts as a result of customers' inability to repay loans and lower asset values.	<ul style="list-style-type: none">• Regularly review forward looking indicators to identify economic conditions.
Credit risk	Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.	<ul style="list-style-type: none">• Fully understand customers and carry out credit quality assessment on customers before granting loans.• Regularly monitor loan receivables and assess for their recoverability.• Limit credit risk exposure by granting loan to any single customer of not more than 8% of the consolidated total assets of the Group.• Make rental contracts with tenants with an appropriate credit history.

<i>Principal risks</i>	<i>Description</i>	<i>Mitigating actions</i>
Liquidity risk	Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.	<ul style="list-style-type: none"> • Regularly monitor liquidity and statement of financial position. • Maintain appropriate liquidity to cover commitments. • Limit liquidity risk exposure by investing only in equity securities listed on stock exchanges. • Ensure acceptable and appropriate finance in place, or believed to be available before committing investment projects.
Price risk	Price risk is the risk that changes in equity prices will affect the Group's income and the value of its holdings of equities.	<ul style="list-style-type: none"> • Regularly monitor equity portfolio to address any portfolio issues promptly. • Spread price risk exposure by investing a number of equities.
Exchange risk	Exchange risk is the risk that changes in foreign exchange rates will affect the Group's income and the value of its holdings of assets.	<ul style="list-style-type: none"> • Closely monitor statement of financial position and cashflow exchange risk exposures and where considered appropriate use financial instruments, such as forward exchange contracts, foreign currency options and forward rate agreements, to hedge this exchange risk.

<i>Principal risks</i>	<i>Description</i>	<i>Mitigating actions</i>
People risk	People risk is the risk of loss of the services of any directors, senior management and other key personnel which could have a material adverse effect on the Group's businesses.	<ul style="list-style-type: none"> • Provide competitive reward and benefit packages that ensure our ability to attract and retain the employees the Group needs. • Ensure that the staff of the Group has the right working environment to enable them to do the best job possible and maximise their satisfaction at work.
Legal and regulatory risk	Legal and regulatory risk is the risk that a breach of laws and regulations could lead to litigation, investigations or disputes, resulting in additional costs being incurred, civil and/or criminal proceedings and reputational damage.	<ul style="list-style-type: none"> • Monitor changes and developments in the regulatory environment and ensure that sufficient resources being made available to implement any required changes. • Seek legal or other specialist advice as appropriate.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company complied with the code provisions of the Corporate Governance Code (the “Code”) as set out in Part 2 of Appendix C1 to the Listing Rules throughout the year ended 31 December 2023, except for code provision C.2.1.

Code provision C.2.1 of the Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2023, Mr. Lei Hong Wai has taken up the roles of the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Lei possesses essential leadership skills and has extensive experience in corporate management and business development. The Board is of the view that currently vesting the roles of the Chairman and the Chief Executive Officer in the same person provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules for securities transactions by the directors of the Company. Having made specific enquiry, all directors confirmed that they had complied with the required standard as set out in the Model Code throughout the year ended 31 December 2023.

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

During the year ended 31 December 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 audit committee has reviewed this annual results announcement and the annual report of the Company for the year ended 31 December 2023 and agreed to the accounting policies and practices adopted by the Company.

By Order of the Board
Eternity Investment Limited
Lei Hong Wai
Chairman

Hong Kong, 28 March 2024

As at the date of this announcement, the Board comprises three executive directors, namely, Mr. Lei Hong Wai, Mr. Cheung Kwok Wai Elton, and Mr. Cheung Kwok Fan; and four independent non-executive directors, namely, Mr. Wan Shing Chi, Mr. Ng Heung Yan, Mr. Wong Tak Chuen, and Ms. Leung Man Yee Fanny.