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ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

SUPPLEMENTAL ANNOUNCEMENT ON THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Reference is made to the annual report (the “**Annual Report**”) of Eternity Investment Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2020 published on 28 April 2021. Unless otherwise defined herein, terms used in this announcement shall have the same meanings as those defined in the Annual Report.

In addition to the information disclosed in the section headed “Operations Review” under “Management Discussion and Analysis” on pages 27 to 29 of the Annual Report relating to the Group’s money lending business, the Board would like to provide the shareholders and potential investors of the Company with the following additional information in relation to loan receivables, accumulated allowance for credit losses and written-off of loan receivables as at 31 December 2020:

Set out below is an analysis of loan receivables, accumulated allowance for credit losses and written-off of loan receivables as at 31 December 2020.

Name of customer	Date of the loan agreement	Principal amount of the loan (in HK\$'000)	Loan receivables	Accrued interest receivables	Accumulated allowance for credit losses	Allowance for credit losses recognised and written-off of loan receivables for the year ended	Accumulated allowance for credit losses	Total loan and accrued interest receivables (net of accumulated allowance for credit losses and written-off of loan receivables)	Overdue payments as of
			(before written-off of loan receivables) at 31.12.2020 (in HK\$'000)	at 31.12.2020 (in HK\$'000)	at 01.01.2020 (in HK\$'000)	31.12.2020* (in HK\$'000)	at 31.12.2020 (in HK\$'000)	at 31.12.2020 (in HK\$'000)	31.12.2020 (in HK\$'000)
Stage 1 (performing)									
Seven customers (Note 1)	N/A	679,800	663,068	5,132	(17,869)	(11,508)	(29,377)	638,823	Nil
An ex-customer	N/A	4,000	0	0	(106)	106	0	0	Nil
		<u>683,800</u>	<u>663,068</u>	<u>5,132</u>	<u>(17,975)</u>	<u>(11,402)</u>	<u>(29,377)</u>	<u>638,823</u>	
Stage 2 (underperforming)									
Customer A (Note 2)	16 November 2017	190,000	137,617	4,162	(2,881)	(62,303)	(65,184)	76,595	2,775
		<u>190,000</u>	<u>137,617</u>	<u>4,162</u>	<u>(2,881)</u>	<u>(62,303)</u>	<u>(65,184)</u>	<u>76,595</u>	
Stage 3 (non-performing)									
Chan Vincent Wing Sing (Note 3)	17 November 2017	100,000	100,000	2,033	(335)	(101,698)	(102,033)	0	14,978
Customer B (Note 4)	8 July 2019	25,000	25,000	0	(668)	(15,107)	(15,775)	9,225	25,748
BAA Jet Management Limited (Note 5)	2 December 2019	100,000	55,000	362	(162)	(6,922)	(7,084)	48,278	Nil
		<u>225,000</u>	<u>180,000</u>	<u>2,395</u>	<u>(1,165)</u>	<u>(123,727)</u>	<u>(124,892)</u>	<u>57,503</u>	
		<u>1,098,800</u>	<u>980,685</u>	<u>11,689</u>	<u>(22,021)</u>	<u>(197,432)</u>	<u>(219,453)</u>	<u>772,921</u>	

*: A written-off of loan receivables of HK\$15,107,000 is included.

Notes:

1. Details of the loan receivables owed by the seven customers at stage 1 (performing) (the “**Stage 1 Customers**”) to the Group are as follows:
 - (i) Eleven loans and revolving loan facilities (the “**Stage 1 Loans**”) were granted to the seven Stage 1 Customers. Each of the seven Stage 1 Customers is a third party independent of the Company and its connected persons (as defined in the Listing Rules) (an “**Independent Third Party**”).
 - (ii) After the credit assessment performed by the Group before entering into/extending the final repayment dates of the respective loan agreements of each of the seven Stage 1 Customers, the Company is not aware of any subsequent changes in facts and circumstances that affected their repayment ability.
 - (iii) Given that each of the Stage 1 Loans had low credit risk as at 31 December 2020, they remained at stage 1 (performing) classification to measure expected credit losses (“**ECL**”) at an amount equal to 12-month ECL at 31 December 2020 in accordance with Hong Kong Financial Reporting Standard 9 *Financial Instruments* (“**HKFRS 9**”). During the year ended 31 December 2020, an allowance for credit losses of HK\$11,508,000 (before reversal of previously recognised allowance for credit losses of HK\$106,000) was recognised for the Stage 1 Loans, as supported by the valuation of an independent firm of professional valuers (the “**Independent Valuer**”). The recognition of allowance for credit losses was mainly due to the increase in the probability of default in calculating the 12-month ECL caused by the COVID-19 pandemic, which has resulted in an adverse impact on the economic outlook in general and increased the possibility of default events within 12 months after 31 December 2020.
 - (iv) All Stage 1 Loans are performing.
2. Details of the loan receivables (the “**Customer A Loan**”) owed by a customer (“**Customer A**”) to the Group are as follows:
 - (i) Customer A is a businessman carrying on sales of motor vehicles services in Zhejiang Province, Mainland China through a company established in Mainland China and founded by Customer A (the “**Motor Vehicles Services Company**”). Customer A is an Independent Third Party.

The Customer A Loan was interest-bearing at 8% per annum payable quarterly, unsecured, and maturing on 15 November 2021.
 - (ii) The grant and the extension of the Customer A Loan constituted discloseable transactions of the Company. Further details of the grant and the extension of the Customer A Loan were disclosed in the Company’s announcements dated 16 November 2017 and 15 November 2019.
 - (iii) The extension of the repayment date of the Customer A Loan in November 2019 was based on the Group’s credit assessment on Customer A including: (a) the past repayment behaviour of Customer A; and (b) the fact that the loan-to-value ratio, based on Customer A’s then equity holding proportion in the Motors Vehicles Services Company and the then net assets value of the Motors Vehicles Services Company, was at an acceptable level.

- (iv) Given that Customer A has not responded to the Group's demand on certain overdue payment since November 2020, the Customer A Loan had a significant increase in credit risk at 31 December 2020. Accordingly, the Customer A Loan were reclassified from stage 1 (performing) to stage 2 (underperforming) for measuring ECL at an amount equal to lifetime ECL at 31 December 2020 in accordance with HKFRS 9. During the year ended 31 December 2020, an allowance for credit losses of HK\$62,303,000 was recognised for the Customer A Loan, as supported by the valuation of the Independent Valuer.
 - (v) During the six months ended 30 June 2021, the Customer A Loan was reclassified from stage 2 (underperforming) to stage 3 (non-performing) for measuring ECL and an allowance for credit losses of HK\$35,055,000 was recognised.
 - (vi) In November 2021, Customer A failed to repay the outstanding principal amount of the Customer A Loan in full together with the accrued and unpaid interest on or before the final repayment date.
3. Details of the loan receivables (the "**Chan Loan**") owed by Mr. Chan Vincent Wing Sing ("**Mr. Chan**") to the Group are as follows:
- (i) Mr. Chan is an over 30% shareholder of a listed company in Hong Kong (the "**Listed Company**"). The Chan Loan was interest-bearing at 15% per annum payable quarterly, secured by corporate guarantees given by two companies owned and controlled by Mr. Chan (collectively, the "**Chan Loan Guarantors**"), one of which being the corporate vehicle holding Mr. Chan's shares in the Listed Company (the "**Chan Loan First Guarantor**"). The Chan Loan matured on 11 November 2021. Mr. Chan, the Chan Loan Guarantors and their beneficial owners are Independent Third Parties.
 - (ii) The grant and the extension of the Chan Loan constituted discloseable transactions of the Company. Further details of the grant and the extension of the Chan Loan were disclosed in the Company's announcements dated 17 November 2017, 16 November 2018 and 11 November 2019.
 - (iii) The extension of the Chan Loan on 11 November 2019 was based on the Group's credit assessment on Mr. Chan that (a) Mr. Chan held over 30% shareholding in the Listed Company through the Chan Loan First Guarantor; (b) Mr. Chan agreed to procure the giving of the second corporate guarantee by an investment holding company owned by him (the "**Chan Loan Second Guarantor**") on the extension of the Chan Loan; and (c) the then net assets value of the Chan Loan Second Guarantor (adding back the shareholder's loan due to Mr. Chan) could bring the loan-to-value ratio of the Chan Loan to an acceptable level.
 - (iv) Subsequent to the loan extension in November 2019, the Company was informed by Mr. Chan that the financial position of both the Chan Loan Guarantors have deteriorated due to the COVID-19 pandemic. As at 31 December 2020, the overdue interest of HK\$14.98 million on the Chan Loan remained unpaid. Mr. Chan explained that the delay in payment was due to travel restrictions caused by the COVID-19 pandemic. Given that the Chan Loan had objective evidence of impairment at 31 December 2020, the Chan Loan was reclassified from stage 1 (performing) to stage 3 (non-performing) for measuring ECL at an amount equal to lifetime ECL at 31 December 2020 in accordance with HKFRS 9. During the year ended 31 December 2020, an allowance for credit losses of HK\$101,698,000 was recognised for the Chan Loan, as supported by the valuation of the Independent Valuer.

- (v) In September 2021, Mr. Chan procured the Chan Loan Second Guarantor to assign a debt in the face value of HK\$117 million owned by it (the “**Debt**”) to the Group to enable the Group to demand payment and liquidate the Debt and to apply the proceeds, if any, from the recovery of the Debt to offset the Chan Loan. The Group is in the process of obtaining professional advice with the view to taking legal actions on the Debt and has yet to form any view on the recoverability of the Debt.
4. Details of the loan receivables (the “**Customer B Loan**”) owed by a customer (“**Customer B**”) to the Group are as follows:
- (i) Customer B was the founder of a property investment company in Mainland China (the “**Property Investment Company**”) which held a property in Guangzhou. Customer B, the Property Investment Company and its beneficial owners are Independent Third Parties. The Customer B Loan was interest-bearing at 12% per annum payable quarterly, secured by a corporate guarantee given by the Property Investment Company.
 - (ii) The grant of the Customer B Loan was based on the Group’s credit assessment on Customer B that (a) Customer B was a shareholder of the Property Investment Company, which in turn held a Guangzhou property; (b) the corporate guarantee given by the Property Investment Company; and (c) the loan-to-value ratio of Customer B, based on the then equity holding proportion in the Property Investment Company of Customer B and the then net assets value of the Property Investment Company, was at an acceptable level.
 - (iii) Given that Customer B failed to repay the Customer B Loan since July 2020 and the Group has not been able to contact him, the Customer B Loan had objective evidence of impairment at 31 December 2020. Accordingly, the Customer B Loan was reclassified from stage 1 (performing) to stage 3 (non-performing) for measuring ECL at an amount equal to lifetime ECL at 31 December 2020 in accordance with HKFRS 9. During the year ended 31 December 2020, a written-off of HK\$15,107,000 was made on the Customer B Loan, which was supported by the valuation of the Independent Valuer.
 - (iv) The Group has commenced legal actions in Mainland China against Customer B and the Property Investment Company in September 2020 to claim for the outstanding principal amount together with the accrued and unpaid interest. The first hearing is scheduled to be heard by the Court on 17 March 2022.
5. Details of the loan receivables (the “**BAA Jet Loan**”) owed by BAA Jet Management Limited (“**BAA Jet**”) to the Group are as follows:
- (i) BAA Jet is a company incorporated in Hong Kong with limited liability. BAA Jet and its subsidiaries are principally engaged in the provision of aircraft management, agency services, maintenance of aircrafts and other related services. BAA Jet and its ultimate beneficial owners (i.e. Mr. Chen Xuanlin and Ms. Zheng Xiangying) are Independent Third Parties. The BAA Jet Loan is interest-bearing at 8% per annum payable quarterly, unsecured, and maturing on 1 December 2021.

- (ii) The grant of the BAA Jet Loan constituted a discloseable transaction of the Company. Further details of the grant of the BAA Jet Loan were disclosed in the Company's announcement dated 2 December 2019.
- (iii) The grant of the BAA Jet Loan was based on the Group's credit assessment on BAA Jet that the loan-to-value ratio, based on the then net assets value of BAA Jet, was at an acceptable level.
- (iv) BAA Jet did not make certain payment on time in December 2020 and did not respond to the Group's demand. Given that there was an indication of the BAA Jet Loan that had objective evidence of impairment at 31 December 2020, the BAA Jet Loan was reclassified from stage 1 (performing) to stage 3 (non-performing) for measuring ECL at an amount equal to lifetime ECL at 31 December 2020 in accordance with HKFRS 9. Accordingly, as BAA Jet repaid the outstanding principal amount of the revolving loan facilities together with the accrued and unpaid interest thereon in early March 2021, an allowance for credit losses of HK\$6,922,000 was recognised for the year ended 31 December 2020, as supported by the valuation of the Independent Valuer.
- (v) In January 2021, the Group commenced legal actions against BAA Jet to collect the outstanding amount of the BAA Jet Loan. In early March 2021, the Group recovered the full outstanding principal amount of HK\$55,000,000, together with the accrued and unpaid interest thereon.

The credit assessment works carried out by the Company include: (a) the conducting of background searches on the customer, the security providers (if any) and their assets; (b) the requests for and the reviewing of financial reports of the customer (if the customer is a company) or companies owned by the customers or the financial position of the customer (if the customer is an individual); (c) the checking of market value of properties and shares owned by the customer and security providers; and (d) calculations of the loan-to-value ratio for the customer and security providers. For loan extension applications, due regard would also be given to the customer's payment behaviour in the past.

The merits of the Group's lending transactions were assessed by reference to all factors and circumstances prevailing at the time of the grant/extension of loan. The factors leading to the subsequent impairment and/or written-offs arose only after the grant of loans. In certain cases, the absence of additional and/or better security was due to the Group's business strategy taking into account the customer's bargaining power and the Group's own market positioning. The recovery strategy for any non-performing loan or loan default depends on all factors and circumstances. The Company will take appropriate actions to protect its rights after taking external advice.

The above additional information does not affect other information contained in the Annual Report and the other contents of the Annual Report remain unchanged.

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

Hong Kong, 25 November 2021

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Lei Hong Wai, Mr. Cheung Kwok Wai Elton, Mr. Chan Kin Wah Billy, and Mr. Cheung Kwok Fan; and three independent non-executive Directors, namely, Mr. Wan Shing Chi, Mr. Ng Heung Yan, and Mr. Wong Tak Chuen.