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ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the “**Board**”) of Eternity Investment Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 together with the comparative figures for 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | For the six months ended 30 June | |
|--|-------|-------------------------------------|---------------------------------|
| | | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Revenue | 4 | 81,529 | 154,225 |
| Cost of sales | | (44,482) | (45,981) |
| Gross profit | | 37,047 | 108,244 |
| Investment and other income | 5 | 6,322 | 3,048 |
| Other gains and losses | 6 | (18,702) | 84,762 |
| Selling and distribution expenses | | (1,635) | (1,641) |
| Allowance for expected credit losses on financial assets | 7 | (2,436) | (100,993) |
| Administrative expenses | | (55,465) | (64,417) |
| Share of results of associates | | (3,936) | 10,667 |
| (Loss)/profit from operations | | (38,805) | 39,670 |
| Finance costs | 8 | (28,659) | (28,815) |
| (Loss)/profit before taxation | | (67,464) | 10,855 |
| Income tax credit | 9 | 1,233 | 18,528 |
| (Loss)/profit for the period | 10 | (66,231) | 29,383 |

| | For the six months ended 30 June | |
|--|---|------------------------|
| | 2022 | 2021 |
| <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| (Loss)/profit for the period attributable to: | | |
| Owners of the Company | (66,229) | 29,480 |
| Non-controlling interests | (2) | (97) |
| | <u>(66,231)</u> | <u>29,383</u> |
| Interim dividend | <i>11</i> — | — |
| (Loss)/earnings per share | | |
| Basic (<i>Hong Kong cents</i>) | <i>12</i> (1.78) | 0.77 |
| Diluted (<i>Hong Kong cents</i>) | (1.78) | 0.77 |

| | For the six months ended 30 June | |
|---|---|--------------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| (Loss)/profit for the period | (66,231) | 29,383 |
| Other comprehensive (expense)/income for the period, net of income tax, | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | |
| Fair value loss on equity instruments at fair value through other comprehensive income | (9,500) | — |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Exchange differences arising on translating foreign operations | (60,597) | 4,359 |
| Share of other comprehensive expense of associates | (34) | (66) |
| Reclassification adjustment for an associate disposed of | — | (20) |
| | <hr/> | <hr/> |
| Other comprehensive (expense)/income for the period, net of income tax | (70,131) | 4,273 |
| | <hr/> | <hr/> |
| Total comprehensive (expense)/income for the period | (136,362) | 33,656 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Total comprehensive (expense)/income for the period attributable to: | | |
| Owners of the Company | (136,636) | 33,822 |
| Non-controlling interests | 274 | (166) |
| | <hr/> | <hr/> |
| | (136,362) | 33,656 |
| | <hr/> <hr/> | <hr/> <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | At 30 June 2022 | At 31 December 2021 |
|--|-------------------------------|---------------------------|
| <i>Notes</i> | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 885,471 | 847,584 |
| Right-of-use assets | 257,923 | 276,447 |
| Investment properties | 169,500 | 164,500 |
| Intangible assets | 817,468 | 865,777 |
| Goodwill | 285,248 | 298,362 |
| Interests in associates | 49,675 | 53,089 |
| Deferred tax assets | 92,932 | 92,959 |
| Equity instruments at fair value through other comprehensive income | 16,420 | 25,920 |
| Prepayments and other receivables | 7,027 | 28,590 |
| | 2,581,664 | 2,653,228 |
| Current assets | | |
| Inventories | 35,911 | 36,406 |
| Loan receivables | <i>13</i> 616,787 | 629,755 |
| Trade receivables | <i>14</i> 31,376 | 34,860 |
| Deposits, prepayments and other receivables | 192,777 | 144,228 |
| Financial assets at fair value through profit or loss | 201,054 | 255,954 |
| Derivative financial instruments | 5,161 | 3,684 |
| Pledged bank deposits | 1,046 | — |
| Cash and cash equivalents | 71,908 | 43,571 |
| | 1,156,020 | 1,148,458 |
| Total assets | 3,737,684 | 3,801,686 |

| | At 30 June 2022 <i>Notes</i> HK\$'000 (Unaudited) | At 31 December 2021 <i>Notes</i> HK\$'000 (Audited) |
|---|---|---|
| EQUITY | | |
| Share capital | 38,196 | 38,196 |
| Reserves | 2,014,557 | 2,155,246 |
| Equity attributable to owners of the Company | 2,052,753 | 2,193,442 |
| Non-controlling interests | (6,011) | (6,285) |
| Total equity | 2,046,742 | 2,187,157 |
| LIABILITIES | | |
| Current liabilities | | |
| Trade payables | 15 12,451 | 15,512 |
| Deposits received, accruals and other payables | 147,009 | 109,444 |
| Receipts in advance | 169,859 | 163,807 |
| Tax payables | 88,258 | 74,589 |
| Bank borrowings | 193,606 | 157,354 |
| Other borrowings | 265,911 | 268,420 |
| Lease liabilities | 7,074 | 6,854 |
| Guaranteed secured notes | 197,000 | 200,000 |
| Amount due to an associate | 1,961 | 1,961 |
| Amount due to a director | 1,500 | — |
| Derivative financial instruments | — | 1,789 |
| | 1,084,629 | 999,730 |
| Non-current liabilities | | |
| Deposit received and other payables | 75,381 | 51,221 |
| Lease liabilities | 298,764 | 318,513 |
| Deferred tax liabilities | 232,168 | 245,065 |
| | 606,313 | 614,799 |
| Total liabilities | 1,690,942 | 1,614,529 |
| Total equity and liabilities | 3,737,684 | 3,801,686 |
| Net current assets | 71,391 | 148,728 |
| Total assets less current liabilities | 2,653,055 | 2,801,956 |

Notes:

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2021. Except as described in note 2 below, the accounting policies and methods of computation used in the condensed consolidated financial statements are the same as those presented in the audited consolidated financial statements for the year ended 31 December 2021.

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s audited consolidated financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following 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 2022 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|-----------------------|---|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendment to HKFRS 16 | COVID-19-Related Rent Concessions beyond 30 June 2021 |
| Amendments to HKAS 16 | Property, Plant and Equipment — Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts - Cost of Fulfilling a Contract |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020 |

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

3. Operating segments

The Group's operating segments have been determined based on the information reported to the Chairman of the Board, being the chief operating decision maker, that are 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 four operating segments:

- | | | |
|-----|--------------------------|---|
| (a) | Property investment | Leasing of rental properties |
| (b) | Sale of financial assets | Sale of financial assets at fair value through profit or loss ("FVTPL") |
| (c) | Money lending | Money lending |
| (d) | Sale of jewelry products | Design and sale of jewelry products |

Segment revenue and results

For the six months ended 30 June 2022

| | Property investment <i>HK\$'000</i> (Unaudited) | Sale of financial assets <i>HK\$'000</i> (Unaudited) | Money lending <i>HK\$'000</i> (Unaudited) | Sale of jewelry products <i>HK\$'000</i> (Unaudited) | Consolidated <i>HK\$'000</i> (Unaudited) |
|----------------------------------|--|--|--|--|--|
| Segment revenue | <u>18,641</u> | <u>(493)</u> | <u>23,959</u> | <u>39,422</u> | <u>81,529</u> |
| Segment (loss)/profit | <u>(12,027)</u> | <u>(24,454)</u> | <u>7,096</u> | <u>(1,321)</u> | <u>(30,706)</u> |
| Interest income on bank deposits | | | | | 28 |
| Unallocated corporate expenses | | | | | (4,191) |
| Finance costs | | | | | (28,659) |
| Share of results of associates | | | | | <u>(3,936)</u> |
| Loss before taxation | | | | | (67,464) |
| Income tax credit | | | | | <u>1,233</u> |
| Loss for the period | | | | | <u><u>(66,231)</u></u> |

For the six months ended 30 June 2021

| | Property investment <i>HK\$'000</i> (Unaudited) | Sale of financial assets <i>HK\$'000</i> (Unaudited) | Money lending <i>HK\$'000</i> (Unaudited) | Sale of jewelry products <i>HK\$'000</i> (Unaudited) | Consolidated <i>HK\$'000</i> (Unaudited) |
|----------------------------------|--|--|--|--|--|
| Segment revenue | <u>16,482</u> | <u>61,930</u> | <u>35,024</u> | <u>40,789</u> | <u>154,225</u> |
| Segment loss | <u>(16,949)</u> | <u>(405)</u> | <u>(78,195)</u> | <u>(1,639)</u> | <u>(97,188)</u> |
| Interest income on bank deposits | | | | | 60 |
| Unallocated corporate expenses | | | | | (20,190) |
| Gain on disposal of associate | | | | | 146,321 |
| Finance costs | | | | | (28,815) |
| Share of results of associates | | | | | <u>10,667</u> |
| Profit before taxation | | | | | 10,855 |
| Income tax credit | | | | | <u>18,528</u> |
| Profit for the period | | | | | <u><u>29,383</u></u> |

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

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 credit. This is the measure reported to the Chairman of the Board for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

At 30 June 2022

| | Property investment <i>HK\$'000</i> (Unaudited) | Sale of financial assets <i>HK\$'000</i> (Unaudited) | Money lending <i>HK\$'000</i> (Unaudited) | Sale of jewelry products <i>HK\$'000</i> (Unaudited) | Consolidated <i>HK\$'000</i> (Unaudited) |
|---|--|--|--|--|--|
| Segment assets | | | | | |
| — Hong Kong | 352,161 | 237,631 | 694,807 | 64,850 | 1,349,449 |
| — The People's Republic of China (the "PRC") | <u>2,315,543</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>2,315,543</u> |
| | <u>2,667,704</u> | <u>237,631</u> | <u>694,807</u> | <u>64,850</u> | <u>3,664,992</u> |
| Unallocated corporate assets | | | | | <u>72,692</u> |
| Consolidated total assets | | | | | <u>3,737,684</u> |
| Segment liabilities | | | | | |
| — Hong Kong | (105,585) | (117,578) | (120) | (52,545) | (275,828) |
| — The PRC | <u>(994,076)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(994,076)</u> |
| | <u>(1,099,661)</u> | <u>(117,578)</u> | <u>(120)</u> | <u>(52,545)</u> | <u>(1,269,904)</u> |
| Unallocated corporate liabilities | | | | | <u>(421,038)</u> |
| Consolidated total liabilities | | | | | <u>(1,690,942)</u> |

At 31 December 2021

| | Property investment <i>HK\$'000</i> (Audited) | Sale of financial assets <i>HK\$'000</i> (Audited) | Money lending <i>HK\$'000</i> (Audited) | Sale of jewelry products <i>HK\$'000</i> (Audited) | Consolidated <i>HK\$'000</i> (Audited) |
|-----------------------------------|--|--|--|--|--|
| Segment assets | | | | | |
| — Hong Kong | 353,479 | 299,028 | 710,168 | 68,223 | 1,430,898 |
| — The PRC | 2,292,773 | — | — | — | 2,292,773 |
| | <u>2,646,252</u> | <u>299,028</u> | <u>710,168</u> | <u>68,223</u> | <u>3,723,671</u> |
| Unallocated corporate assets | | | | | <u>78,015</u> |
| Consolidated total assets | | | | | <u>3,801,686</u> |
| Segment liabilities | | | | | |
| — Hong Kong | (108,942) | (82,321) | (1,927) | (54,031) | (247,221) |
| — The PRC | (944,337) | — | — | — | (944,337) |
| | <u>(1,053,279)</u> | <u>(82,321)</u> | <u>(1,927)</u> | <u>(54,031)</u> | <u>(1,191,558)</u> |
| Unallocated corporate liabilities | | | | | <u>(422,971)</u> |
| Consolidated total liabilities | | | | | <u>(1,614,529)</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 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 other borrowings, guaranteed secured notes, certain accruals and other payables, certain tax payables, amount due to an associate, and amount due to a director 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 six months ended 30 June 2022

| | Property investment HK\$'000 (Unaudited) | Sale of financial assets HK\$'000 (Unaudited) | Money lending HK\$'000 (Unaudited) | Sale of jewelry products HK\$'000 (Unaudited) | Consolidated HK\$'000 (Unaudited) |
|--|---|--|---|--|--|
| Amounts included in the measure of segment (loss)/profit and segment assets | | | | | |
| Additions to property, plant and equipment | 79,968 | — | — | 3 | 79,971 |
| Allowance for expected credit losses ("ECL") on loan receivables | — | — | (2,573) | — | (2,573) |
| Allowance for ECL on trade receivables | — | — | — | (16) | (16) |
| Amortisation of intangible assets | (10,552) | — | — | — | (10,552) |
| Depreciation of property, plant and equipment | (10,831) | — | — | (5) | (10,836) |
| Depreciation of right-of-use assets | (3,160) | — | — | (154) | (3,314) |
| Dividend income | — | 11 | — | — | 11 |
| Gain arising on change in fair value of derivative financial instruments | — | 3,266 | — | — | 3,266 |
| Gain arising on change in fair value of investment properties | 5,000 | — | — | — | 5,000 |
| Interest income on other receivables | 567 | — | — | — | 567 |
| Loss arising on change in fair value of financial assets at FVTPL | — | (26,961) | — | — | (26,961) |
| Loss of inventories | — | — | — | (1,534) | (1,534) |
| Membership income | 5,054 | — | — | — | 5,054 |
| Reversal of allowance for ECL on other receivables | 153 | — | — | — | 153 |
| Written-off of property, plant and equipment | (7) | — | — | — | (7) |
| | <u><u>(7)</u></u> | <u><u>—</u></u> | <u><u>—</u></u> | <u><u>—</u></u> | <u><u>(7)</u></u> |

For the six months ended 30 June 2021

| | Property investment <i>HK\$'000</i> (Unaudited) | Sale of financial assets <i>HK\$'000</i> (Unaudited) | Money lending <i>HK\$'000</i> (Unaudited) | Sale of jewelry products <i>HK\$'000</i> (Unaudited) | Consolidated <i>HK\$'000</i> (Unaudited) |
|---|--|--|--|--|--|
| Amounts included in the measure of segment loss and segment assets | | | | | |
| Additions to property, plant and equipment | 73,659 | — | — | — | 73,659 |
| Allowance for ECL on loan receivables | — | — | (101,343) | — | (101,343) |
| Amortisation of intangible assets | (10,522) | — | — | — | (10,522) |
| Depreciation of property, plant and equipment | (10,704) | — | — | (7) | (10,711) |
| Depreciation of right-of-use assets | (1,321) | — | — | (148) | (1,469) |
| Gain arising on change in fair value of investment properties | 4,300 | — | — | — | 4,300 |
| Impairment loss on property, plant and equipment | (3,515) | — | — | — | (3,515) |
| Interest income on other receivables | 565 | — | — | — | 565 |
| Loss arising on change in fair value of financial assets at FVTPL | — | (62,269) | — | — | (62,269) |
| Membership income | 1,154 | — | — | — | 1,154 |
| Reversal of allowance for ECL on other receivables | 197 | — | — | — | 197 |
| Reversal of allowance for ECL on trade receivables | — | — | — | 153 | 153 |
| Written-off of property, plant and equipment | (75) | — | — | — | (75) |
| | <u>(75)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(75)</u> |

Geographical segments

The Group mainly operates in Hong Kong and the PRC. The Group's revenue from external customers by geographical location is detailed below:

| | For the six months ended 30 June | |
|-----------|-------------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Australia | 649 | 454 |
| Europe | 6,387 | 4,403 |
| Hong Kong | 58,165 | 135,328 |
| The PRC | 16,328 | 14,040 |
| | <u>81,529</u> | <u>154,225</u> |

4. Revenue

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Disaggregation of revenue from contracts with customers within the scope of HKFRS 15 | | |
| Disaggregated by types of goods and services | | |
| — sale of jewelry products | 39,422 | 40,789 |
| Revenue from other sources | | |
| — sale of financial assets at FVTPL, net | (493) | 61,930 |
| — interest income on loans | 23,959 | 35,024 |
| — rental income | 18,641 | 16,482 |
| Total revenue | <u>81,529</u> | <u>154,225</u> |
| Timing of revenue recognition | | |
| — a point in time | 39,422 | 40,789 |
| — over time | — | — |
| Revenue from contracts with customers | <u>39,422</u> | <u>40,789</u> |

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

| | For the six months ended 30 June | |
|--|---|------------------------|
| | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Sale of jewelry products | <u>39,422</u> | <u>40,789</u> |
| Revenue from contracts with customers | 39,422 | 40,789 |
| Sale of financial assets at FVTPL, net | (493) | 61,930 |
| Interest income on loans | 23,959 | 35,024 |
| Rental income | <u>18,641</u> | <u>16,482</u> |
| Total revenue | <u>81,529</u> | <u>154,225</u> |

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

| | For the six months ended 30 June | |
|--|---|------------------------|
| | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Proceeds from sale of financial assets at FVTPL | 44,408 | 341,804 |
| Carrying amounts of financial assets at FVTPL sold plus transaction costs | <u>(44,901)</u> | <u>(279,874)</u> |
| | <u>(493)</u> | <u>61,930</u> |

5. Investment and other income

| | For the six months ended 30 June | |
|--------------------------------------|---|------------------------|
| | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Dividend income | 11 | — |
| Government grants | 384 | — |
| Interest income on bank deposits | 28 | 60 |
| Interest income on other receivables | 567 | 565 |
| Membership income | 5,054 | 1,154 |
| Sundry income | <u>278</u> | <u>1,269</u> |
| | <u>6,322</u> | <u>3,048</u> |

During the six months ended 30 June 2022, the Group recognised government grants of HK\$384,000 in respect of COVID-19 related subsidy, which is related to the Employment Support Scheme under the Anti-epidemic Fund provided by the Hong Kong government.

6. Other gains and losses

| | For the six months ended 30 June | |
|--|---|--------------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Gain arising on change in fair value of derivative financial instruments | 3,266 | — |
| Gain arising on change in fair value of investment properties | 5,000 | 4,300 |
| Gain on disposal of associate | — | 146,321 |
| Impairment loss on property, plant and equipment | — | (3,515) |
| Loss arising on change in fair value of financial assets at FVTPL | (26,961) | (62,269) |
| Written-off of property, plant and equipment | (7) | (75) |
| | <u>(18,702)</u> | <u>84,762</u> |

7. Allowance for expected credit losses on financial assets

| | For the six months ended 30 June | |
|--|---|--------------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| (Reversal of allowance)/allowance for ECL on loan receivables: | | |
| — 12 months ECL | (1,241) | (4,805) |
| — lifetime ECL not credit-impaired | — | 78,116 |
| — lifetime ECL credit-impaired | 3,814 | 28,032 |
| | <u>2,573</u> | <u>101,343</u> |
| Reversal of allowance for ECL on other receivables: | | |
| — 12 months ECL | (153) | (197) |
| Allowance/(reversal of allowance) for ECL on trade receivables | 16 | (153) |
| | <u>2,436</u> | <u>100,993</u> |

8. Finance costs

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Interest on bank borrowings | 1,421 | 1,259 |
| Interest on other borrowings | 10,529 | 9,276 |
| Interest on lease liabilities | 7,694 | 6,868 |
| Imputed interest on guaranteed secured notes | 13,658 | 16,010 |
| | <u>33,302</u> | <u>33,413</u> |
| <i>Less: interest on lease liabilities capitalised in the cost of qualifying assets</i> | <u>(4,643)</u> | <u>(4,598)</u> |
| | <u><u>28,659</u></u> | <u><u>28,815</u></u> |

9. Income tax credit

| | For the six months ended 30 June | |
|---------------------------|-------------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Hong Kong Profits Tax | | |
| — current tax | — | — |
| PRC Enterprise Income Tax | | |
| — current tax | (1,743) | (1,141) |
| Deferred taxation credit | 2,976 | 19,669 |
| | <u>1,233</u> | <u>18,528</u> |

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

Accordingly, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000 for both periods.

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 periods.

10. (Loss)/profit for the period

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

| | For the six months ended 30 June | |
|--|-------------------------------------|-------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Amortisation of intangible assets (included in administrative expenses) | 10,552 | 10,522 |
| Cost of inventories sold | 35,050 | 38,614 |
| Depreciation of property, plant and equipment | 10,836 | 10,711 |
| Depreciation of right-of-use assets | 3,314 | 1,469 |
| Loss of inventories (included in administrative expenses) | 1,534 | — |
| Net foreign exchange (gain)/loss | (3) | 29 |
| Rental expenses in respect of short-term leases | — | 11 |
| Staff costs (including directors' emoluments): | | |
| — salaries and allowances | 26,739 | 22,816 |
| — contributions to retirement benefits scheme | 202 | 205 |
| — equity-settled share-based payment expenses | — | 16,377 |
| | 26,941 | 39,398 |
| Gross rental income from investment properties and operating rights | (18,641) | (16,482) |
| Less: direct operating expenses incurred for investment properties and operating rights that generated rental income during the period | 9,432 | 7,367 |
| | (9,209) | (9,115) |

11. Interim dividend

No interim dividend was paid, declared or proposed during the six months ended 30 June 2022 (2021: Nil). The Board has determined that no interim dividend will be paid in respect of the six months ended 30 June 2022 (2021: Nil).

12. (Loss)/earnings per share

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

| | For the six months ended 30 June | |
|---|--|--|
| | 2022 <i>HK\$'000</i> (Unaudited) | 2021 <i>HK\$'000</i> (Unaudited) |
| <u>(Loss)/profit for the purpose of basic and diluted (loss)/earnings per share</u> | | |
| (Loss)/profit for the period attributable to owners of the Company | <u>(66,229)</u> | <u>29,480</u> |
| | | |
| | For the six months ended 30 June | |
| | 2022 <i>'000</i> (Unaudited) | 2021 <i>'000</i> (Unaudited) |
| <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 (loss)/earnings per share | 3,726,456 | 3,819,606 |
| Effect of dilutive potential ordinary shares: Share options | <u>—</u> | <u>171</u> |
| Weighted average number of ordinary shares less weighted average number of shares held for share award plan for the purpose of diluted (loss)/earnings per share | <u>3,726,456</u> | <u>3,819,777</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 six months ended 30 June 2022.

13. Loan receivables

| | At 30 June 2022 <i>HK\$'000</i> (Unaudited) | At 31 December 2021 <i>HK\$'000</i> (Audited) |
|--|---|---|
| Loans to customers | 1,019,222 | 1,035,432 |
| Accrued interest receivables | 54,818 | 49,003 |
| | <u>1,074,040</u> | <u>1,084,435</u> |
| <i>Less: accumulated allowance for ECL</i> | <u>(457,253)</u> | <u>(454,680)</u> |
| | <u><u>616,787</u></u> | <u><u>629,755</u></u> |

All loans are denominated in Hong Kong dollars. The loan receivables carry effective interest ranging from 8% to 15% per annum (31 December 2021: 8% to 15% per annum). Loans contain a repayable on demand clause and are classified under current assets. A maturity profile of the loan receivables (net of accumulated allowance for ECL) at the end of the reporting period, based on the maturity date is as follows:

| | At 30 June 2022 <i>HK\$'000</i> (Unaudited) | At 31 December 2021 <i>HK\$'000</i> (Audited) |
|--|---|---|
| Within one year | 616,787 | 500,787 |
| More than one year but not exceeding two years | — | 128,968 |
| | <u>616,787</u> | <u>629,755</u> |

During the six months ended 30 June 2022, an allowance for ECL on loan receivables of HK\$2,573,000 (2021: HK\$101,343,000) was recognised.

At 30 June 2022, five loans in the aggregate principal amount of HK\$449,293,000 are secured by corporate guarantees, one loan in the aggregate principal amount of HK\$165,000,000 is secured by a corporate guarantee, a share charge, a share pledge over certain participating shares of a closed-end private fund, and a commercial property located in Mainland China, and one loan in the aggregate principal amount of HK\$20,000,000 is secured by a share charge.

Included in the carrying amount of loan receivables at 30 June 2022 is an accumulated allowance for ECL of HK\$457,253,000 (31 December 2021: HK\$454,680,000).

14. Trade receivables

| | At 30 June 2022 <i>HK\$'000</i> (Unaudited) | At 31 December 2021 <i>HK\$'000</i> (Audited) |
|-------------------------------------|---|---|
| Trade receivables | 31,668 | 35,136 |
| Less: accumulated allowance for ECL | (292) | (276) |
| | <u>31,376</u> | <u>34,860</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:

| | At 30 June 2022 <i>HK\$'000</i> (Unaudited) | At 31 December 2021 <i>HK\$'000</i> (Audited) |
|----------------|---|---|
| 0 — 30 days | 6,377 | 7,547 |
| 31 — 60 days | 5,549 | 7,275 |
| 61 — 90 days | 5,235 | 3,734 |
| 91 — 120 days | 4,500 | 5,265 |
| 121 — 180 days | 2,950 | 5,277 |
| Over 180 days | 6,765 | 5,762 |
| | <u>31,376</u> | <u>34,860</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 six months ended 30 June 2022, an allowance for ECL of HK\$16,000 (2021: a reversal of allowance for ECL of HK\$153,000) was recognised in respect of trade receivables.

Included in the carrying amount of trade receivables at 30 June 2022 is an accumulated allowance for ECL of HK\$292,000 (31 December 2021: HK\$276,000).

15. Trade payables

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

| | At 30 June 2022 <i>HK\$'000</i> (Unaudited) | At 31 December 2021 <i>HK\$'000</i> (Audited) |
|---------------|--|---|
| 0 — 30 days | 875 | 9,859 |
| 31 — 60 days | 1,283 | 837 |
| 61 — 90 days | 972 | 146 |
| 91 — 120 days | 1,325 | 164 |
| Over 120 days | 7,996 | 4,506 |
| | <hr/> 12,451 <hr/> | <hr/> 15,512 <hr/> |

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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Results of operations

During the six months ended 30 June 2022, the Group recorded a revenue of HK\$81,529,000, a 47% decrease from HK\$154,225,000 for the previous period. The decrease in revenue was mainly attributable to the recognition of a trading loss of HK\$493,000 for the sale of financial assets, in contrast with a trading gain of HK\$61,930,000 in the six months ended 30 June 2021. Of the total revenue, HK\$23,959,000 was generated from money lending, HK\$39,422,000 was generated from the sale of jewelry products, HK\$18,641,000 was generated from property investment, and a trading loss of HK\$493,000 was generated from the sale of financial assets.

Loss for the period attributable to owners of the Company amounted to HK\$66,229,000, whereas the Group recorded a profit attributable to owners of the Company of HK\$29,480,000 for the six months ended 30 June 2021. The change from profit to loss was attributable to the absence of the non-recurrence of the one-off gain on disposal of an associate of HK\$146,321,000 in the six months ended 30 June 2021.

The gross profit for the sale of jewelry products increased by 101% from HK\$2,175,000 in the six months ended 30 June 2021 to HK\$4,372,000 in the six months ended 30 June 2022. In addition, the gross profit margin for the sale of jewelry products improved from 5% in the six months ended 30 June 2021 to 11% in the six months ended 30 June 2022. These improvements 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 property investment increased by 1% from HK\$9,115,000 in the six months ended 30 June 2021 to HK\$9,209,000 in the six months ended 30 June 2022. In addition, the gross profit margin for property investment decreased from 55% in the six months ended 30 June 2021 to 49% in the six months ended 30 June 2022. The changes in gross profit and gross profit margin are discussed in the “*Property investment business*” section under “Operations Review” below.

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

- (a) At the end of the reporting period, the Group measured the investment property portion of the Shun Tak Property (as defined below) at fair value based on a valuation prepared by an independent qualified valuer and recognised a gain of HK\$5,000,000 arising on change in fair value of investment properties.
- (b) At the end of the reporting period, the Group measured its equity securities at fair value and recognised a loss of HK\$26,961,000 arising on change in fair value of financial assets at fair value through profit or loss (“FVTPL”).

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 decreased by 0.37% from HK\$1,641,000 in the six months ended 30 June 2021 to HK\$1,635,000 in the six months ended 30 June 2022.

Allowance for expected credit losses (“ECL”) on financial assets decreased by 98% from HK\$100,993,000 in the six months ended 30 June 2021 to HK\$2,436,000 in the six months ended 30 June 2022. This decrease was mainly due to a HK\$98,770,000 decrease in the allowance for ECL on the Group's loan receivables, which is discussed in the “*Money lending business*” section under “Operations Review” below.

Administrative expenses decreased by 14% from HK\$64,417,000 in the six months ended 30 June 2021 to HK\$55,465,000 in the six months ended 30 June 2022. This decrease was attributable to the absence of the one-off equity-settled share-based payment expenses of HK\$16,377,000 arising from granting of share options to the directors and the Group's employees in June 2021, which was partially offset by (i) a HK\$6,827,000 increase in salaries and legal and professional fees, and (ii) a loss of inventories of HK\$1,534,000 recorded by the Group's sale of jewelry products business.

Share of loss of associates amounted to HK\$3,936,000 for the six months ended 30 June 2022, representing (i) the share of loss of HK\$714,000 from Elite Prosperous Investment Limited (“**Elite Prosperous**”), a 49% owned associate of the Company, (ii) the share of loss of HK\$3,264,000 from China Healthwise Holdings Limited (“**China Healthwise**”), a 21.50% owned associate of the Company, and (iii) a gain on bargaining purchase of associate of HK\$42,000 arising from the acquisition of 2,400,000 shares in China Healthwise by the Group during the six months ended 30 June 2022.

Finance costs decreased by 0.54% from HK\$28,815,000 in the six months ended 30 June 2021 to HK\$28,659,000 in the six months ended 30 June 2022.

The Group recorded a tax credit of HK\$1,233,000 for the six months ended 30 June 2022. This tax credit was derived from the recognition of (i) deferred tax credit of HK\$386,000 arising from the allowance for ECL on financial assets recognised and (ii) deferred tax credit of HK\$2,825,000 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, which were partially offset by (i) a deferred tax expense of HK\$235,000 resulting from movement on deferred tax assets related to lease contracts and (ii) the current period tax expense of HK\$1,743,000.

Liquidity and financial resources

During the six months ended 30 June 2022, 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\$2,193,442,000 at 31 December 2021 to HK\$2,052,753,000 at 30 June 2022. This decrease was due to the loss incurred by the Group for the six months ended 30 June 2022 and a decrease in exchange reserve arising from the translation of the Group's foreign operations.

At 30 June 2022, the cash and cash equivalents of the Group amounted to HK\$71,908,000 (31 December 2021: HK\$43,517,000).

At 30 June 2022, the Group had outstanding borrowings of HK\$658,017,000 (31 December 2021: HK\$625,774,000) representing:

- (a) the outstanding principal amount of the 13% guaranteed secured notes due 2022 issued by the Company on 22 December 2021 (the “**Guaranteed Secured Notes**”) of HK\$197,000,000, which is interest-bearing at 13% per annum, 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 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 24 September 2022;
- (b) the banking facilities in the aggregate principal amount of HK\$193,606,000, comprising (i) an installment loan of HK\$105,026,000, which is interest-bearing at 1% per annum over one-month HIBOR or 3% 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, 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 189 equal monthly installments ending on 18 March 2038, (ii) a term loan in the principal amount of HK\$39,558,000, 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, 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 237 equal monthly installments ending on 10 March 2042, (iii) two advances of HK\$5,000,000 and HK\$20,000,000 under a revolving term loan, which are interest-bearing at HIBOR plus 2% per annum, secured by the first legal charge over the Shun Tak Property, guaranteed by the Company and a wholly-owned subsidiary of the Company, and maturing on 9 September 2022 and 27 October 2022 respectively, and (iv) various advances in the aggregate principal amount of HK\$24,022,000 under the account payable financing facilities, which are interest-bearing at 2% per annum over HIBOR, secured by the first legal charge over the Shun Tak Property, guaranteed by the Company and a wholly-owned subsidiary of the Company, and maturing within five months commencing from July 2022;

- (c) a loan of HK\$200,000,000 granted by a finance company, which is interest-bearing at 8% per annum, 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 25 May 2023;
- (d) the securities margin financing facilities of HK\$51,906,000 granted by a securities brokerage firm, which is interest-bearing at the 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 provided by Mr. Lei Hong Wai;
- (e) the securities margin financing facilities of HK\$14,005,000 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 provided by Mr. Lei Hong Wai; and
- (f) the cash advance of HK\$1,500,000 made by Mr. Cheung Kwok Fan, an executive director, to the Group for financing its short-term funding needs. The cash advance is non-interest bearing, unsecured and repayable on demand.

Gearing ratio

At 30 June 2022, the gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of the Company was 32% (31 December 2021: 29%).

Net current assets and current ratio

At 30 June 2022, the Group's net current assets and current ratio were HK\$71,391,000 (31 December 2021: HK\$148,728,000) and 1.07 (31 December 2021: 1.15) respectively.

Capital structure

During the six months ended 30 June 2022, there was no change in the Company's capital structure.

Material acquisitions of subsidiaries, associates, and joint ventures

During the six months ended 30 June 2022, the Group did not have any material acquisitions of subsidiaries, associates, and joint ventures.

Material disposals of subsidiaries, associates, and joint ventures

During the six months ended 30 June 2022, the Group did not have any material disposals of subsidiaries, associates, and joint ventures.

Pledge of assets

At 30 June 2022, the following Group's assets were pledged:

- (a) the Shun Tak Property with a carrying amount of HK\$341,749,000 (31 December 2021: HK\$340,247,000), of which HK\$172,249,000 (31 December 2021: HK\$175,747,000) is classified under "property, plant and equipment" and HK\$169,500,000 (31 December 2021: HK\$164,500,000) is 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\$1,321,467,000 (31 December 2021: HK\$1,348,436,000) after adjusting for purchase price allocation for securing the Guaranteed Secured Notes;
- (c) the Group's Hong Kong-listed equity securities with a fair value of HK\$177,027,000 (31 December 2021: HK\$162,026,000), of which HK\$137,825,000 (31 December 2021: HK\$116,962,000) is related to the Group's financial assets at FVTPL and HK\$39,202,000 (31 December 2021: HK\$45,064,000) is related to a part of the Group's listed investment in an associate, for securing the securities margin financing facilities and the banking facilities granted to the Group; and
- (d) the bank deposits of HK\$1,046,000 for securing the banking facilities granted to the Group.

Material commitments

At 30 June 2022, the Group had a total commitment of HK\$334,658,000 (31 December 2021: HK\$264,792,000) 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 six months ended 30 June 2022, no financial instruments for hedging purposes were used by the Group.

Contingent liabilities

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\$36,248,000) (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 has been advised by a Mainland Chinese legal adviser that the possibility of Bayhood No. 9 Co. being required to pay the unsettled legal fee is remote. Accordingly, no provision for any liability has been made in respect of the civil claim.

Employees and remuneration policy

At 30 June 2022, the headcount of the Group was 100 (2021: 86). Staff costs (including directors' emoluments) amounted to HK\$26,941,000 in the six months ended 30 June 2022 (2021: HK\$39,398,000). The decrease in staff costs was mainly attributable to the absence of the one-off equity-settled share-based payment expenses of HK\$16,377,000 arising from granting of share options to the directors and the Group's employees in June 2021. In addition to basic salaries, contributions to retirement benefits scheme, and discretionary bonus, staff benefits include medical scheme, share options, and share awards.

Operations Review

Sale of financial assets business

During the six months ended 30 June 2022, the Group's sale of financial assets business reported a segment loss (before taxation) of HK\$24,454,000, a 5,938% increase as compared to HK\$405,000 for the previous period. The increase in segment loss was due to the trading loss of HK\$493,000 in the six months ended 30 June 2022, in contrast to the trading gain of HK\$61,930,000 recognised in the six months ended 30 June 2021, which was partly offset by a HK\$35,308,000 decrease in a loss arising on the change in fair value of financial assets at FVTPL.

During the six months ended 30 June 2022, the Group acquired six Hong Kong-listed equity securities with the aggregate acquisition costs of HK\$16,798,000 and made the trading loss of HK\$493,000 from selling five Hong Kong-listed equity securities with the aggregate carrying amounts of HK\$44,737,000 at the aggregate net sale proceeds of HK\$44,244,000. 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 Stock Exchange of Hong Kong Limited (the “**Exchange**”). The Group recognised the loss of HK\$26,961,000 arising on the change in fair value of financial assets at FVTPL.

Movements in the carrying amount of the equity securities held by the Group during the six months ended 30 June 2022 and 2021 are as follows:

| | 2022 | 2021 |
|---|-----------------|-------------|
| | HK\$'000 | HK\$'000 |
| Carrying amount at 1 January | 255,954 | 410,395 |
| <i>Add:</i> acquisitions | 16,798 | 58,481 |
| transfer from interests in associates | — | 129,460 |
| <i>Less:</i> disposals | (44,737) | (279,106) |
| loss arising on change in fair value recognised | (26,961) | (62,269) |
| | <hr/> | <hr/> |
| Carrying amount at 30 June | 201,054 | 256,961 |
| | <hr/> <hr/> | <hr/> <hr/> |

Details of the equity securities held by the Group at 30 June 2022 are as follows:

| Name of Hong Kong-listed equity securities | Number of shares held at 30 June 2022 | Fair value at 30 June 2022 <i>HK\$'000</i> | Fair value as compared to the consolidated total assets of the Group at 30 June 2022 | Dividend received/receivable in the six months ended 30 June 2022 <i>HK\$'000</i> | Gain/(loss) arising on change in fair value recognised in the six months ended 30 June 2022 <i>HK\$'000</i> |
|--|---------------------------------------|---|--|--|--|
| Affluent Partners Holdings Ltd. (stock code: 1466) | 1,674,200 | 300 | 0.01% | — | 95 |
| Boill Healthcare Holdings Ltd. (stock code: 1246) | 29,000,000 | 4,176 | 0.11% | — | (1,044) |
| Brockman Mining Ltd. (stock code: 159) | 68,327,000 | 18,448 | 0.49% | — | (1,367) |
| Frontier Services Group Ltd. (stock code: 500) | 47,807,000 | 21,991 | 0.59% | — | (7,649) |
| Global Mastermind Holdings Ltd. (stock code: 8063) | 94,497,000 | 13,513 | 0.36% | — | 1,663 |
| Hatcher Group Ltd. (stock code: 8365) | 6,300,000 | 4,662 | 0.12% | — | 142 |
| Huanxi Media Group Ltd. (stock code: 1003) | 30,080,000 | 38,803 | 1.04% | — | (3,481) |
| Huayi Tencent Entertainment Company Ltd. (stock code: 419) | 166,122,649 | 31,563 | 0.85% | — | (4,010) |
| Kingston Financial Group Ltd. (stock code: 1031) | 33,028,000 | 7,696 | 0.21% | — | (5,020) |
| Lajin Entertainment Network Group Ltd. (stock code: 8172) | 32,640,000 | 6,953 | 0.19% | — | (842) |
| Nayuki Holdings Ltd. (stock code: 2150) | 19,000 | 126 | 0.00% | — | (36) |
| Nimble Holdings Company Ltd. (stock code: 186) | 83,673,268 | 36,816 | 0.98% | — | (4,184) |
| Ocean Line Port Development Ltd. (stock code: 8502) | 12,096,000 | 2,939 | 0.08% | — | (387) |
| SuperRobotics Holdings Ltd. (stock code: 8176) | 8,925,000 | 2,053 | 0.05% | — | (1,517) |
| Town Health International Medical Group Ltd. (stock code: 3886) | 7,100,000 | 3,266 | 0.09% | 11 | 142 |
| Yunfeng Financial Group Ltd. (stock code: 376) | 5,344,000 | 7,749 | 0.21% | — | 534 |
| | | <u>201,054</u> | | <u>11</u> | <u>(26,961)</u> |
| Name of Hong Kong unlisted equity securities | | | | | |
| Hsin Chong Group Holdings Ltd. | 90,000,000 | — | 0.00% | — | — |
| | | — | | — | — |
| | | <u>201,054</u> | | <u>11</u> | <u>(26,961)</u> |

The directors believe that the future performance of the 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 to improve its performance and realise the Group's equity securities into cash as and when appropriate.

Money lending business

During the six months ended 30 June 2022, the Group's money lending business generated interest income on loans amounting to HK\$23,959,000, a 32% decrease from HK\$35,024,000 in the previous period, and reported a segment profit (before taxation) of HK\$7,096,000. In contrast, a segment loss (before taxation) of HK\$78,195,000 was reported in the six months ended 30 June 2021. The turnaround of the segment results was attributable to the HK\$98,770,000 decrease in the allowance for ECL on loan receivables as discussed below.

During the six months ended 30 June 2022, no new loan was granted, and the final repayment date of two loans in the aggregate outstanding principal amount of HK\$51,790,000 was extended. In addition, no customer made drawings from the existing loans, and two customers repaid HK\$16,210,000 to the Group.

At 30 June 2022, 16 loans remained outstanding. Ten loan receivables with an aggregate gross balance of HK\$380,831,000 were classified under stage 1 (initial recognition), and six loan receivables with an aggregate gross balance of HK\$693,209,000 were classified under stage 3 (credit-impaired). During the six months ended 30 June 2022, there was no change in the classification of loan receivables for ECL assessment.

At the end of the reporting period, the directors performed an ECL assessment on the Group's loan receivables with reference to a valuation prepared by an independent professional valuer. The valuation measured allowance for ECL on loan receivables using the general approach, which is often referred to "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\$2,573,000 was made, a HK\$98,770,000 decrease compared to the six months ended 30 June 2021. Of the total allowance for ECL, HK\$1,241,000 was reversed for loan receivables classified under stage 1 (initial recognition), and HK\$3,814,000 was recognised for loan receivables classified under stage 3 (credit-impaired).

The allowance for ECL of HK\$1,241,000 was reversed under stage 1 (initial recognition) due to (i) the repayments made by two customers and (ii) the decrease in the probability of default in calculating the 12-month ECL resulting from the gradual recovery in the global economy from the COVID-19 pandemic in the first half of 2022. The allowance for ECL of HK\$3,814,000 was made under stage 3 (credit-impaired) due to an additional allowance for ECL on interest income on loans recognised in the six months ended 30 June 2022 for two customers classified under stage 3 (credit-impaired).

Reference is made to loan receivables classified under stage 3 (credit-impaired) which were set out on pages 353 to 356 of the Company's annual report for the year ended 31 December 2021. Set out below is the latest development of the recovery of these loan receivables:

- (a) Customer D: The Group is currently in negotiation with Customer D regarding the settlement arrangement of the two loans in the aggregate outstanding principal amount of HK\$234,293,000.
- (b) Customer I: In September 2021, Customer I procured one of the two guarantors to assign a debt in the face value of HK\$117,000,000 owned by the guarantor 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 loan in the outstanding principal amount of HK\$100,000,000 due by Customer I together with the accrued and unpaid interest thereon. The said assignment of debt has lapsed pursuant to its terms, and the Group will pursue after Customer I and the guarantors of the original loan receivable instead of the assigned debt.
- (c) Customer J: The Group has commenced civil proceedings in Mainland China against Customer J, the guarantor, and the shareholders of the guarantor for recovering the loan in the outstanding principal amount of HK\$25,000,000 (before the written-off of HK\$15,775,000) together with the accrued and unpaid interest thereon. On 21 March 2022, the court handed down the first instance judgment ordering, among others, Customer J to repay the outstanding principal amount of the loan of HK\$25,000,000, the unpaid interest of HK\$748,000, and the default interest to the Group within ten days from the effective date of the first instance judgment and ordering the guarantor to guarantee the above payment obligations of Customer J. On 15 June 2022, the Group received a notice from the court that Customer J lodged a civil appeal in respect of the first instance judgment. The Group has yet to be notified of the court hearing date(s) for the civil appeal.

- (d) Customer H: The Group has instructed its legal adviser to commence civil proceedings in Mainland China against Customer H for recovering the loan in the outstanding principal amount of HK\$137,617,000 together with the accrued and unpaid interest thereon. The Group obtained an asset preservation order from the court to freeze certain assets of Customer H in Mainland China with an aggregate value of RMB126,180,000 (equivalent to HK\$147,542,000). The first court hearing was held on 16 May 2022, when Customer H raised a defense regarding the authenticity of his signature on the loan agreement. The Group was informed by its legal adviser that the court will engage an expert to verify Customer H's signature, and the next court hearing will be fixed after the court's expert opinion is ready.
- (e) Customer F: On 7 September 2021, the Group obtained a corporate guarantee provided by Customer F Guarantor, a private company owned by Customer F and her spouse to secure all of Customer F's obligations of the loan of HK\$165,000,000 under the loan agreement. The major assets of Customer F Guarantor include 150,000 participating shares in a closed-end private fund with an estimated value of HK\$45,000,000 (net of a loan of HK\$16,000,000 secured by a charge over 40,000 participating shares) and a commercial property located in Mainland China (i.e., the Property of Customer F Guarantor) with an estimated value of RMB100,000,000 (equivalent to HK\$116,930,000) (net of a mortgage loan of RMB30,000,000 which is equivalent to HK\$35,079,000). On the same date, the Group also obtained a share charge over the entire issued share capital of Customer F Guarantor and a share pledge over 110,000 participating shares of the closed-end private fund as collateral for the loan. On 16 September 2021, Customer F Guarantor provided the Property of Customer F Guarantor as collateral to secure the repayment of the loan and the accrued and unpaid interest thereon. Currently, the Group is working with its legal adviser to seek to take possession of and sell the Property of Customer F Guarantor to recover part of the outstanding loan and interest receivables.

At 30 June 2022, the Group's loan receivables, together with accrued interest receivables (before accumulated allowance for ECL), amounted to HK\$1,074,040,000 (31 December 2021: HK\$1,084,435,000).

Information on the Group's money lending business, including (i) business model, (ii) internal control system, and (iii) basis of determining the allowance for ECL on loan receivables, is disclosed in the Company's annual report for the year ended 31 December 2021.

Sale of jewelry products business

During the six months ended 30 June 2022, the Group's sale of jewelry products business generated revenue of HK\$39,422,000, a 3% decrease from HK\$40,789,000 for the previous period, and reported a segment loss (before taxation) of HK\$1,321,000, a 19% decrease from HK\$1,639,000 in the previous period. The improvement in the segment loss was due to the increase in gross profit, which was partially offset by a loss of inventories of HK\$1,534,000 as certain jewelry products were robbed during a business trip to Europe.

During the six months ended 30 June 2022, the Group recorded a 101% increase in gross profit from HK\$2,175,000 in the six months ended 30 June 2021 to HK\$4,372,000 in the six months ended 30 June 2022. The Group also recorded a 120% improvement in gross profit margin from 5% in the six months ended 30 June 2021 to 11% in the six months ended 30 June 2022. These improvements are mainly due to the changes in the product mix. Due to the adverse impact of the COVID-19 pandemic on retail sales, the Group accepted a high quantity of sales orders for jewelry accessories, which generally have a high volume with a slim profit margin, in the six months ended 30 June 2021. As the progress of vaccination drove the pace of economic recovery in Western countries in the second half of 2021, the Group received a significant quantity of sales orders for jewelry products from its European customers and a local agent for American customers in the six months ended 30 June 2022. Consequently, the Group recorded improvements in gross profit margin in the six months ended 30 June 2022 compared to the six months ended 30 June 2021. Subsequent to 30 June 2022, the Group saw a slow down in sales orders from its customers. To strengthen its sales capability, the Group has increased the staff of its sales team and scheduled more business trips to Europe. The Group will also officially launch its business-to-business sales portal in the second half of 2022. In August 2022, the Group received HK\$1,508,000 as insurance compensation for the loss of inventories.

At the end of the reporting period, the directors performed an ECL assessment on the Group's trade receivables with reference to a valuation prepared by the independent professional valuer. Based on the valuation, an allowance for ECL on trade receivables of HK\$16,000 was made.

At 30 June 2022, the Group's inventories of jewelry products, including raw materials, work-in-progress and finished goods, amounted to HK\$31,805,000 (31 December 2021: HK\$31,681,000), and the Group's sale of jewelry products business had undelivered sales orders amounting to HK\$900,000 (31 December 2021: HK\$4,318,000).

Property investment business

During the six months ended 30 June 2022, the Group's property investment business generated a rental income of HK\$18,641,000, a 13% increase from HK\$16,482,000 for the six months ended 30 June 2021, and recorded a segment loss (before taxation) of HK\$12,027,000, a 29% decrease from HK\$16,949,000 for the six months ended 30 June 2021.

The increase in rental income was mainly attributable to additional assets of the Club being leased to the lessor. Of the total rental income, HK\$16,328,000 was generated from the assets of the Club, and HK\$2,313,000 was generated from the investment property portion of the Shun Tak Property. The improvement of the segment results was mainly attributable to (i) the absence of the non-recurrence item of impairment loss on property, plant and equipment of HK\$3,515,000 resulting from the change of use of an office unit of the Shun Tak Property in the six months ended 30 June 2021, and (ii) a HK\$700,000 increase in gain arising on change in fair value of investment properties.

In May 2020, the Group invited tenders to build seven blocks of three-storey residential serviced apartments and two blocks of three-storey office buildings on the second and third phases of the Subject Land and awarded the tender to a Mainland Chinese construction company in June 2020. Please refer to the section headed "*Business update on the development of the Subject Land*" below for more information on the development of the Subject Land.

At the end of the reporting period, the directors performed impairment tests for the goodwill arising from the acquisition of Smart Title Limited and the intangible assets relating to (i) the rights to construct and operate 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 two discounted cash flow projections to assess the value in use of the property investment business in Beijing, Mainland China. As the recoverable amount of the cash-generating unit of the Group's property investment operations under Smart Title Limited exceeded its carrying amount, no impairment for goodwill and intangible assets was required.

At the end of the reporting period, the directors tested the right-of-use assets for impairment with reference to the two discounted cash flow projections to assess the value in use of the property investment business in Beijing, Mainland China, and concluded that no impairment for the Group's right-of-use assets was required.

At the end of the reporting period, the directors measured the investment property portion of the Shun Tak Property at fair value. Based on the property valuation report prepared by an independent qualified valuer, the fair value of the investment property portion of the Shun Tak Property increased from HK\$164,500,000 at 31 December 2021 to HK\$169,500,000 at 30 June 2022. Accordingly, the Group recognised the gain of HK\$5,000,000 arising on change in fair value of investment properties.

Business update on the development of the Subject Land

Bayhood No. 9 Co., an indirect wholly-owned subsidiary of the Company, owns (i) the rights to construct and operate the Club; and (ii) the rights to develop and operate the Subject Land and the rights to construct and manage the properties erected (each a "**Property**" and collectively, the "**Properties**") 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 has modified its business strategy for the second and third phases of the Subject Land such that the Properties will be leased out on a long-term or short-term lease basis.

According to the development plan for the second and third phases of the Subject Land, a total of seven blocks of three-storey residential serviced apartments comprising of 279 residential serviced apartments with an aggregate gross floor area of 45,165 square meters (with individual serviced 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, are being constructed and offered for lease by Bayhood No. 9 Co.. The building works commenced in July 2020. However, due to certain external factors, such as new environmental requirements for building works and weather, the building works are delayed. However, it is expected that three blocks of three-storey residential serviced apartments will be completed and ready for the delivery of vacant possession in the third quarter of 2022. The total construction costs of the second and third phases of the Subject Land were budgeted at RMB730,000,000 (equivalent to HK\$853,589,000).

Marketing activities have been launched by the Group since August 2020. Up to 30 June 2022, 42 (31 December 2021: 32) residential serviced apartments were successfully leased out by Bayhood No. 9 Co.. Of the 42 lease agreements, 35 (31 December 2021: 32) were long-term leases and seven (31 December 2021: Nil) were short-term leases. All the leases were separately negotiated by the Group's marketing staff in Mainland China on an arm's length basis in the Group's ordinary course of business at different times by way of genuine standalone transactions. 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, if the lessees are corporations) are third parties independent of and not related to the Company and its connected persons or associates (as such terms are defined in the Rules Governing the Listing of Securities on the Exchange (the "**Listing Rules**")).

The lease agreements entered into with the lessees of the Properties were negotiated with each lessee separately but the Group endeavoured to include the following key terms: (i) the lease period being negotiated with each lessee separately, which 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**") being negotiated between Bayhood No. 9 Co. and the relevant lessee, ranging from the paying off of the total rental income for the entire lease period (the "**Total Rental Income**") in lump-sum(s) or by instalments; (iii) the title of the Properties erected on the Subject Land being owned by Bayhood No. 9 Co., and the lessees being required to surrender the Properties back to Bayhood No. 9 Co. unconditionally and without receiving any compensation at the end of the lease period; and (iv) the lessees being liable to pay a break fee on default of the lease agreements, which is equivalent to 15% of the Total Rental Income.

Under the applicable accounting standards, long-term lease agreements are treated as finance leases, and the Group recognises the Total Rental Income for long-term lease agreements, discounted at the market interest rate over the period in which the instalments are paid (subject to the Payment Terms of the relevant lease agreement), as revenue on the delivery of vacant possession of a relevant Property to a lessee. Any Total Rental Income committed but not yet due to be paid by a lessee under the Payment Terms stipulated in the relevant lease agreement will be booked as trade receivables until payment. On default by a lessee, the break fee will be booked as trade receivables until payment and any unpaid trade receivables will be derecognised from the Group's statement of financial position. Short-term lease agreements are treated as operating leases, and the Group recognises the Total Rental Income as revenue on a straight-line basis over the term of the relevant lease agreement commencing on the delivery of vacant possession of a relevant Property to a lessee.

In order to meet the leasing target, the Group's Mainland Chinese marketing team will strive to achieve a high level of occupancy rate through a competitive pricing policy as 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 provide incentives to its Mainland Chinese marketing team, who are staff of the Group, responsible for the leasing activities of this project. Through the efforts of its staff, the Group is hopeful to benefit from the continuous income stream derived from the annual rental income of this project for the remaining period of the Management Rights.

During the six months ended 30 June 2022, the applicable ratios calculated in respect of each of the lease agreements that were entered into by Bayhood No. 9 Co. were under 5% and therefore none of them has constituted a notifiable transaction under Chapter 14 of the Listing Rules. If the applicable ratios for any lease agreements to be entered into by Bayhood No. 9 Co. in the future exceed the relevant percentage thresholds, the Company will comply with the announcement and/or shareholders' approval requirements under Chapter 14 of the Listing Rules.

Investments in associates

Elite Prosperous is an investment holding company whose principal asset was 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 report prepared by an independent professional valuer, the fair value of the investment decreased from HK\$23,648,000 at 31 December 2021 to HK\$22,190,000 at 30 June 2022. Accordingly, Elite Prosperous recognised a loss of HK\$1,458,000 arising on change in fair value of its investment in the unlisted investment holding company. During the six months ended 30 June 2022, Elite Prosperous reported a loss of HK\$1,458,000, and accordingly, the Group shared a loss of HK\$714,000 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 six months ended 30 June 2022, the Group acquired 2,400,000 shares in China Healthwise at a consideration of HK\$557,000 on the Exchange. Accordingly, the Group's shareholding interests in China Healthwise increased from 21.19% to 21.50%. The acquisition of 2,400,000 shares in China Healthwise resulted in a gain on bargaining purchase of associate of HK\$42,000. During the six months ended 30 June 2022, China Healthwise reported a loss of HK\$15,176,000, whereas a profit of HK\$36,569,000 for the six months ended 30 June 2021, and the Group shared a loss of HK\$3,264,000 from China Healthwise. The deterioration in China Healthwise's results for the six months ended 30 June 2022 was mainly due to the recognition of the substantial net realised and unrealised losses on investment in its financial instruments of HK\$4,446,000 for the six months ended 30 June 2022, in contrast to the net realised and unrealised gains on investment in financial instruments of HK\$41,519,000 for the six months ended 30 June 2021.

Future Prospects

The start of 2022 was marked by the Russia-Ukraine conflict and the resulting rise in energy and food prices, a hawkish Federal Reserve, and the outbreak of the Omicron variant in Mainland China in the second quarter of 2022. Stagflation concerns have triggered negative returns in both equities and fixed income. While these problems have not completely dissipated, there are signs of improvement. Mainland China is stepping up fiscal stimulus to revive economic growth, and the Federal Reserve is settling on a more transparent policy tightening path, with market expectations stabilising. Against this backdrop, the directors expect the outlook for the second half of 2022 remains uncertain.

The directors expect the outlook for the second half of 2022 remains uncertain. However, the directors recognise that an uncertain outlook can coincide with a good opportunity to invest. 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.

The directors intend to maintain the size of the Group's loan portfolio in the second half of 2022. As a result, it is expected that the interest income on loans generated from the Group's money lending business in the second half of 2022 will be more or less the same as in the first half of 2022. Nevertheless, the directors will continue to monitor the performance of the Group's loan portfolio closely, especially in each customer's repayment and financial condition, and make every effort to recover the overdue loan receivables.

Due to a significant rise in diamond prices and a general drop in the value of the Euro, the Group has noticed that the buying intention for jewelry products is eroded. The directors expect the performance of the Group's sales of jewelry business may underperform in the second half of 2022 compared to the first half of 2022.

As three blocks of three-storey residential serviced apartments will be completed and ready for the delivery of vacant possession in the third quarter of 2022, the directors expect the performance of the Group's property investment business to improve in the fourth quarter of 2022. However, given that the development of the second and third phases of the Subject Land is already underway, the directors will put more effort and resources into the Group's property investment business to ensure the development of the second and third phases of the Subject Land completes as planned.

Due to the uncertain outlook, the directors remain cautious and watchful over the economic indicators and market conditions for the second half of 2022. The directors commit to leading the Group to weather the challenges and continue to monitor the business environment cautiously and strengthen the Group's business foundation by focusing on its existing businesses.

Events after the End of the Reporting Period

Subsequent to 30 June 2022, the fair value of the Group's financial assets at FVTPL decreased from HK\$201,054,000 at 30 June 2022 to HK\$183,228,000 at the date of this results announcement.

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 14 of the Listing Rules throughout the six months ended 30 June 2022, 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 six months ended 30 June 2022, 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 10 of 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 six months ended 30 June 2022.

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

During the six months ended 30 June 2022, other than the purchase of a total of 24,190,000 shares of the Company on the market at a total consideration of HK\$4,053,000 by the trustee under the share award plan of the Company adopted by the Board on 16 September 2021, 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 of the Board has reviewed the 2022 interim report and the condensed consolidated financial statements for the six months ended 30 June 2022 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, 29 August 2022

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.