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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 2021

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 2021 together with the comparative figures for 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	For the six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	154,225	87,102
Cost of sales		(45,981)	(37,763)
Gross profit		108,244	49,339
Investment and other income	5	3,048	1,694
Other gains and losses	6	84,762	(9,275)
Selling and distribution expenses		(1,641)	(1,988)
Allowance for credit losses on financial assets	7	(100,993)	(135,612)
Administrative expenses		(64,417)	(47,400)
Share of results of associates		10,667	(63,856)
Profit/(loss) from operations		39,670	(207,098)
Finance costs	8	(28,815)	(24,844)
Profit/(loss) before taxation		10,855	(231,942)
Income tax credit	9	18,528	22,976
Profit/(loss) for the period	10	29,383	(208,966)

	For the six months ended 30 June	
	2021	2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to:		
Owners of the Company	29,480	(208,757)
Non-controlling interests	(97)	(209)
	<u>29,383</u>	<u>(208,966)</u>
Interim dividend	<i>11</i> —	—
Earnings/(loss) per share		
Basic (<i>Hong Kong cents</i>)	<i>12</i> 0.77	(5.47)
Diluted (<i>Hong Kong cents</i>)	0.77	(5.47)

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

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	29,383	(208,966)
Other comprehensive income/(expense):		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations	4,359	(22,194)
Share of other comprehensive expense of associates	(66)	(725)
Reclassification adjustment for an associate disposed of	(20)	—
	<hr/>	<hr/>
Other comprehensive income/(expense) for the period, net of income tax	4,273	(22,919)
	<hr/>	<hr/>
Total comprehensive income/(expense) for the period	33,656	(231,885)
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income/(expense) for the period attributable to:		
Owners of the Company	33,822	(231,783)
Non-controlling interests	(166)	(102)
	<hr/>	<hr/>
	33,656	(231,885)
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
<i>Notes</i>			
ASSETS			
Non-current assets			
Property, plant and equipment		698,203	654,528
Right-of-use assets		242,796	244,716
Investment properties		165,000	140,000
Intangible assets		861,423	862,058
Goodwill		293,170	289,841
Interests in associates		82,535	177,341
Deferred tax assets		68,299	50,642
Prepayments and other receivables		23,934	25,441
Loan receivables	13	62,273	161,430
		2,497,633	2,605,997
Current assets			
Inventories		35,015	32,993
Loan receivables	13	738,126	611,491
Trade receivables	14	29,474	29,554
Deposits, prepayments and other receivables		131,744	96,360
Financial assets at fair value through profit or loss		256,961	410,395
Cash and cash equivalents		254,978	54,125
		1,446,298	1,234,918
Total assets		3,943,931	3,840,915

	At 30 June 2021 <i>Notes</i> HK\$'000 (Unaudited)	At 31 December 2020 <i>Notes</i> HK\$'000 (Audited)
EQUITY		
Share capital	38,196	38,196
Reserves	2,380,664	2,330,465
Equity attributable to owners of the Company	2,418,860	2,368,661
Non-controlling interests	(6,170)	(6,004)
Total equity	2,412,690	2,362,657
LIABILITIES		
Current liabilities		
Trade payables	15 11,891	7,961
Deposits received, accruals and other payables	105,290	101,536
Receipts in advance	99,663	35,480
Tax payables	83,667	84,966
Bank borrowings	162,706	162,465
Other borrowings	252,890	254,315
Lease liabilities	3,047	3,042
Secured notes	225,000	250,000
Amount due to an associate	1,966	1,966
Amount due to a director	—	1,300
	946,120	903,031
Non-current liabilities		
Deposit received and other payables	57,583	62,583
Lease liabilities	284,860	282,123
Deferred tax liabilities	242,678	230,521
	585,121	575,227
Total liabilities	1,531,241	1,478,258
Total equity and liabilities	3,943,931	3,840,915
Net current assets	500,178	331,887
Total assets less current liabilities	2,997,811	2,937,884

Notes:

1. Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2021 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 2020. 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 2020.

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 2021 are the same as those presented in the Group’s audited consolidated financial statements for the year ended 31 December 2020.

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 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39 HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

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 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>

For the six months ended 30 June 2020

	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>12,470</u>	<u>1,299</u>	<u>44,305</u>	<u>29,028</u>	<u>87,102</u>
Segment (loss)/profit	<u>(46,555)</u>	<u>17,996</u>	<u>(100,918)</u>	<u>(11,842)</u>	<u>(141,319)</u>
Interest income on bank deposits					29
Unallocated corporate expenses					(1,952)
Finance costs					(24,844)
Share of results of associates					<u>(63,856)</u>
Loss before taxation					(231,942)
Income tax credit					<u>22,976</u>
Loss for the period					<u>(208,966)</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 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 assets					
— Hong Kong	359,707	420,319	864,723	63,086	1,707,835
— The People's Republic of China (the "PRC")	<u>2,126,613</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,126,613</u>
	<u>2,486,320</u>	<u>420,319</u>	<u>864,723</u>	<u>63,086</u>	3,834,448
Unallocated corporate assets					<u>109,483</u>
Consolidated total assets					<u>3,943,931</u>
Segment liabilities					
— Hong Kong	(111,595)	(65,000)	(952)	(54,668)	(232,215)
— The PRC	<u>(851,317)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(851,317)</u>
	<u>(962,912)</u>	<u>(65,000)</u>	<u>(952)</u>	<u>(54,668)</u>	(1,083,532)
Unallocated corporate liabilities					<u>(447,709)</u>
Consolidated total liabilities					<u>(1,531,241)</u>

At 31 December 2020

	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	371,039	423,033	815,560	60,533	1,670,165
— The PRC	1,980,923	—	—	—	1,980,923
	<u>2,351,962</u>	<u>423,033</u>	<u>815,560</u>	<u>60,533</u>	3,651,088
Unallocated corporate assets					<u>189,827</u>
Consolidated total assets					<u>3,840,915</u>
Segment liabilities					
— Hong Kong	(116,039)	(66,427)	(4,372)	(49,921)	(236,759)
— The PRC	(768,137)	—	—	—	(768,137)
	<u>(884,176)</u>	<u>(66,427)</u>	<u>(4,372)</u>	<u>(49,921)</u>	(1,004,896)
Unallocated corporate liabilities					<u>(473,362)</u>
Consolidated total liabilities					<u>(1,478,258)</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, 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 2021

	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 and segment assets					
Additions to property, plant and equipment	73,659	—	—	—	73,659
Allowance for credit losses 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 credit losses on other receivables	197	—	—	—	197
Reversal of allowance for credit losses on trade receivables	—	—	—	153	153
Written-off of property, plant and equipment	(75)	—	—	—	(75)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the six months ended 30 June 2020

	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)/profit and segment assets					
Additions to property, plant and equipment	697	—	—	6	703
Allowance for credit losses on loan receivables	—	—	(133,716)	—	(133,716)
Allowance for credit losses on other receivables	(709)	—	—	—	(709)
Allowance for credit losses on trade receivables	—	—	—	(1,187)	(1,187)
Amortisation of intangible assets	(9,667)	—	—	—	(9,667)
Depreciation of property, plant and equipment	(11,481)	—	—	(14)	(11,495)
Depreciation of right-of-use assets	(1,214)	—	—	(148)	(1,362)
Dividend income	—	330	—	—	330
Gain arising on change in fair value of financial assets at FVTPL	—	16,425	—	—	16,425
Government grants	90	—	36	80	206
Interest income on other receivables	1,129	—	—	—	1,129
Loss arising on change in fair value of investment properties	(25,700)	—	—	—	(25,700)
Loss of inventories	—	—	—	(4,914)	(4,914)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </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	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Australia	454	95
Europe	4,403	3,326
Hong Kong	135,328	73,758
The PRC	14,040	9,923
	<u>154,225</u>	<u>87,102</u>

4. Revenue

	For the six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (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	40,789	29,028
Revenue from other sources		
— sale of financial assets at FVTPL, net	61,930	1,299
— interest income on loans	35,024	44,305
— rental income	16,482	12,470
Total revenue	<u>154,225</u>	<u>87,102</u>
Timing of revenue recognition		
— a point in time	40,789	29,028
— over time	—	—
Revenue from contracts with customers	<u>40,789</u>	<u>29,028</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	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Sale of jewelry products	40,789	29,028
Revenue from contracts with customers	40,789	29,028
Sale of financial assets at FVTPL, net	61,930	1,299
Interest income on loans	35,024	44,305
Rental income	16,482	12,470
Total revenue	154,225	87,102

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	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Proceeds from sale of financial assets at FVTPL	341,804	14,008
Carrying amounts of financial assets at FVTPL sold plus transaction costs	(279,874)	(12,709)
	61,930	1,299

5. Investment and other income

	For the six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Dividend income	—	330
Government grants	—	206
Interest income on bank deposits	60	29
Interest income on other receivables	565	1,129
Membership income	1,154	—
Sundry income	1,269	—
	3,048	1,694

During the six months ended 30 June 2020, the Group recognised government grants of HK\$206,000 in respect of COVID-19 related subsidies, which are related to the Employment Support Scheme and the Retail Sector Subsidy Scheme under the Anti-epidemic Fund provided by the Hong Kong government.

6. Other gains and losses

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Gain on disposal of associate	146,321	—
Gain/(loss) arising on change in fair value of investment properties	4,300	(25,700)
Impairment loss on property, plant and equipment	(3,515)	—
(Loss)/gain arising on change in fair value of financial assets at FVTPL	(62,269)	16,425
Written-off of property, plant and equipment	(75)	—
	<u>84,762</u>	<u>(9,275)</u>

7. Allowance for credit losses on financial assets

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Reversal of allowance)/allowance for credit losses on loan receivables:		
— 12 months expected credit loss (“ECL”)	(4,805)	12,680
— lifetime ECL not credit-impaired	78,116	121,036
— lifetime ECL credit-impaired	28,032	—
	<u>101,343</u>	<u>133,716</u>
(Reversal of allowance)/allowance for credit losses on other receivables:		
— 12 months ECL	(197)	709
(Reversal of allowance)/allowance for credit losses on trade receivables	(153)	1,187
	<u>100,993</u>	<u>135,612</u>

8. Finance costs

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on bank borrowings	1,259	2,025
Interest on other borrowings	9,276	8,690
Interest on lease liabilities	6,868	6,302
Imputed interest on secured notes	16,010	12,023
	<u>33,413</u>	<u>29,040</u>
<i>Less: interest on lease liabilities capitalised in the cost of qualifying assets</i>	<u>(4,598)</u>	<u>(4,196)</u>
	<u><u>28,815</u></u>	<u><u>24,844</u></u>

9. Income tax credit

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Hong Kong Profits Tax		
— current tax	—	(1,854)
PRC Enterprise Income Tax		
— current tax	(1,141)	(355)
Deferred taxation credit	19,669	25,185
	<u>18,528</u>	<u>22,976</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. Profit/(loss) for the period

Profit/(loss) for the period has been arrived at after charging/(crediting):

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets (included in administrative expenses)	10,522	9,667
Cost of inventories sold	38,614	30,292
Depreciation of property, plant and equipment	10,711	11,495
Depreciation of right-of-use assets	1,469	1,362
Loss of inventories (included in administrative expenses)	—	4,914
Net foreign exchange loss	29	79
Rental expenses in respect of short-term leases	11	166
Staff costs (including directors' emoluments):		
— salaries and allowances	22,816	21,742
— contributions to retirement benefits scheme	205	224
— equity-settled share-based payment expenses	16,377	—
	39,398	21,966
Gross rental income from investment properties and operating rights	(16,482)	(12,470)
Less: direct operating expenses incurred for investment properties and operating rights that generated rental income during the period	7,367	7,471
direct operating expenses incurred for investment properties and operating rights that did not generate rental income during the period	—	251
	(9,115)	(4,748)

11. Interim dividend

No interim dividend was paid, declared or proposed during the six months ended 30 June 2021 (2020: Nil). The Board has determined that no interim dividend will be paid in respect of the six months ended 30 June 2021 (2020: Nil).

12. Earnings/(loss) per share

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

	For the six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
<u>Profit/(loss) for the purpose of basic and diluted earnings/(loss) per share</u>		
Profit/(loss) for the period attributable to owners of the Company	<u>29,480</u>	<u>(208,757)</u>
	For the six months ended 30 June	
	2021 '000 (Unaudited)	2020 '000 (Unaudited)
<u>Number of ordinary shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	3,819,606	3,819,606
Effect of dilutive potential ordinary shares: Share options	<u>171</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>3,819,777</u>	<u>3,819,606</u>

No diluted earnings per share for the six months ended 30 June 2020 was presented as there were no potential ordinary shares in issue.

13. Loan receivables

	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Loans to customers	1,078,525	964,910
Accrued interest receivables	26,895	11,689
	<u>1,105,420</u>	<u>976,599</u>
<i>Less:</i> accumulated allowance for credit losses	<u>(305,021)</u>	<u>(203,678)</u>
	<u><u>800,399</u></u>	<u><u>772,921</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 2020: 8% to 15% per annum). A maturity profile of the loan receivables (net of accumulated allowance for credit losses) at the end of the reporting period, based on the maturity date is as follows:

	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Current assets		
Within one year	738,126	611,491
Non-current assets		
More than one year but not exceeding two years	62,273	161,430
	<u>800,399</u>	<u>772,921</u>

During the six months ended 30 June 2021, an allowance for credit losses on loan receivables of HK\$101,343,000 (2020: HK\$133,716,000) was recognised.

At 30 June 2021, five loans in the aggregate principal amounts of HK\$433,518,000 were secured by corporate guarantees. At 31 December 2020, three loans in the aggregate principal amounts of HK\$244,225,000 were secured by corporate guarantees.

Included in the carrying amount of loan receivables at 30 June 2021 is an accumulated allowance for credit losses of HK\$305,021,000 (31 December 2020: HK\$203,678,000).

14. Trade receivables

	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Trade receivables	29,781	30,014
Less: accumulated allowance for credit losses	(307)	(460)
	<u>29,474</u>	<u>29,554</u>

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

	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
0 — 30 days	7,248	6,974
31 — 60 days	5,929	6,590
61 — 90 days	3,154	5,924
91 — 120 days	2,200	5,627
121 — 180 days	2,631	3,490
Over 180 days	8,312	949
	<u>29,474</u>	<u>29,554</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 2021, a reversal of allowance for credit losses of HK\$153,000 (2020: an allowance for credit losses of HK\$1,187,000) was recognised in respect of trade receivables.

Included in the carrying amount of trade receivables at 30 June 2021 is an accumulated allowance for credit losses of HK\$307,000 (31 December 2020: HK\$460,000).

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 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
0 — 30 days	2,816	4,159
31 — 60 days	1,700	970
61 — 90 days	732	1,039
91 — 120 days	805	815
Over 120 days	5,838	978
	<u>11,891</u>	<u>7,961</u>

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Results of operations

During the six months ended 30 June 2021, the Group recorded revenue of HK\$154,225,000, a 77% increase from HK\$87,102,000 for the previous period. The increase in revenue was mainly attributable to a HK\$60,631,000 increase in trading gain from the sale of financial assets. Of the total revenue, HK\$35,024,000 was generated from money lending, HK\$40,789,000 was generated from the sale of jewelry products, HK\$16,482,000 was generated from property investment, and a trading gain of HK\$61,930,000 was generated from the sale of financial assets.

Profit for the period attributable to owners of the Company amounted to HK\$29,480,000, whereas the Group recorded a loss of HK\$208,757,000 for the six months ended 30 June 2020. The turnaround of the Group's performance was mainly attributable to (i) the HK\$60,631,000 increase in trading gain from the sale of financial assets, (ii) the recognition of a gain on disposal of associate of HK\$146,321,000, (iii) the recognition of a gain of HK\$4,300,000 arising on change in fair value of investment properties, whereas a loss of HK\$25,700,000 was recognised in the six months ended 30 June 2020, (iv) a HK\$32,373,000 decrease in allowance for credit losses on loan receivables, and (v) the recognition of a share of profit of associates of HK\$10,667,000, whereas a share of loss of associates of HK\$63,856,000 was recognised in the six months ended 30 June 2020, which were partially offset by (i) a loss of HK\$62,269,000 arising on change in fair value of financial assets at fair value through profit or loss ("FVTPL"), whereas a gain of HK\$16,425,000 was recognised in the six months ended 30 June 2020, and (ii) a HK\$16,377,000 equity-settled share-based payment expenses.

The Group's sale of jewelry products business reported a gross profit of HK\$2,175,000 in the six months ended 30 June 2021, whereas a gross loss of HK\$1,264,000 was recorded in the six months ended 30 June 2020. In addition, the gross profit margin for the sale of jewelry products improved from -4% in the six months ended 30 June 2020 to 5% in the six months ended 30 June 2021. These improvements on 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 82% from HK\$4,999,000 in the six months ended 30 June 2020 to HK\$9,115,000 in the six months ended 30 June 2021. In addition, the gross profit margin for property investment increased from 40% in the six months ended 30 June 2020 to 55% in the six months ended 30 June 2021. These increases were mainly attributable to the increase in the rental income generated from the leasing of the assets of the Club (as defined below) as discussed in the "*Property investment business*" section under "Operations Review" below.

Other gains and losses recorded by the Group are as follows:

- (a) In May 2021, the Group disposed of 62,195,000 shares in Global Mastermind Holdings Limited (“**Global Mastermind**”), a then 24.85% owned associate of the Company, at the aggregate consideration of HK\$123,839,000 (net of transaction costs) on The Stock Exchange of Hong Kong Limited (the “**Exchange**”). Upon completing the disposal, the Group’s shareholding interests in Global Mastermind decreased to 12.67% and Global Mastermind ceased to be an associate of the Company. Accordingly, the disposal resulted in a gain on disposal of associate of HK\$146,321,000 to the Group.
- (b) 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\$4,300,000 arising on change in fair value of investment properties.
- (c) In January 2021, the Group changed the use of an office unit of the Shun Tak Property (as defined below) for earning rental purposes. At the date of change in use, the office unit had a carrying amount of HK\$24,215,000 and a fair value of HK\$20,700,000. Accordingly, the office unit was transferred from “property, plant and equipment” to “investment properties” at the fair value of HK\$20,700,000 for financial reporting purposes. As the carrying amount of the office unit exceeded its fair value, the excess of HK\$3,515,000 was recognised as an impairment loss on property, plant and equipment.
- (d) At the end of the reporting period, the Group measured its listed securities at fair value based on the closing prices as quoted on the Exchange and recognised the loss of HK\$62,269,000 arising on change in fair value of financial assets at 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 17% from HK\$1,988,000 in the six months ended 30 June 2020 to HK\$1,641,000 in the six months ended 30 June 2021. This decrease was mainly attributable to no exhibition expenses incurred for business development as major trade exhibitions were halted during the COVID-19 pandemic.

Allowance for credit losses on financial assets decreased from HK\$135,612,000 in the six months ended 30 June 2020 to HK\$100,993,000 in the six months ended 30 June 2021. This decrease was mainly due to a HK\$32,373,000 decrease in the allowance for credit losses on the Group’s loan receivables, which is discussed in the “*Money lending business*” section under “Operations Review” below.

Administrative expenses increased by 36% from HK\$47,400,000 in the six months ended 30 June 2020 to HK\$64,417,000 in the six months ended 30 June 2021. This increase was mainly attributable to the recognition of a HK\$16,377,000 equity-settled share-based payment expenses arising from the granting of share options to the directors and the Group’s employees in June 2021.

Share of profit of associates amounted to HK\$10,667,000 for the six months ended 30 June 2021, representing (i) the share of loss of HK\$188,000 from Elite Prosperous Investment Limited (“**Elite Prosperous**”), a 49% owned associate of the Company, (ii) the share of profit of HK\$7,350,000 from China Healthwise Holdings Limited (“**China Healthwise**”), a 20.90% owned associate of the Company, (iii) a gain on bargaining purchase of associate of HK\$587,000 arising from the further acquisition of 4,800,000 shares in China Healthwise by the Group, (iv) a loss on deemed disposal of associate of HK\$3,323,000 arising from the dilution of the Group’s shareholding interests in Global Mastermind from 29.77% to 24.85%, and (v) the share of profit of HK\$6,241,000 from Global Mastermind.

Finance costs increased by 16% from HK\$24,844,000 in the six months ended 30 June 2020 to HK\$28,815,000 in the six months ended 30 June 2021. This increase was due to the rise in the interest rate from 8% per annum to 13% per annum in extending the Notes (as defined below) in September 2020.

The Group recorded a tax credit of HK\$18,528,000 for the six months ended 30 June 2021. The tax credit derived from the recognition of (i) a deferred tax credit of HK\$16,672,000 arising from the allowance for credit losses made on the Group’s loan and other receivables and (ii) a deferred tax credit of HK\$2,997,000 resulting from the movements in the deferred tax liabilities recognised for the fair value adjustments on the acquisition of Smart Title Limited in October 2015 and the rights-of-use assets. These deferred tax credits were partially offset by the current period tax expense of HK\$1,141,000.

Liquidity and financial resources

During the six months ended 30 June 2021, 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 increased from HK\$2,368,661,000 at 31 December 2020 to HK\$2,418,860,000 at 30 June 2021. This increase was due to the profit reported by the Group for the six months ended 30 June 2021.

At 30 June 2021, the cash and cash equivalents of the Group amounted to HK\$254,978,000 (31 December 2020: HK\$54,125,000).

At 30 June 2021, the Group had outstanding borrowings of HK\$640,596,000 (31 December 2020: HK\$668,080,000) representing:

- (a) the outstanding principal amount of the 13% guaranteed secured notes due 2021 issued by the Company on 29 September 2020 (the “Notes”) of HK\$225,000,000, which is interest-bearing at 13% per annum, secured by (i) a share charge over 100% issued shares in Eternity Investment (China) Limited (formerly known as China Jiu hao Health Industry Group Limited), a wholly-owned subsidiary of the Company and the principal assets of which are (1) the rights to construct and operate the club facilities of a membership golf club and resort (the “Club”) in Beijing, Mainland China, and (2) the rights to develop and operate a piece of 580 Chinese acre land adjacent to the Club (the “Subject Land”) and the rights to manage the properties erected on the Subject Land, and (ii) the personal guarantees given by Mr. Lei Hong Wai, the Chairman of the Board and an executive director, and Mr. Cheung Kwok Wai Elton, an executive director, and maturing on 25 September 2021;
- (b) the banking facilities in the aggregate principal amount of HK\$162,706,000, comprising (i) an instalment loan of HK\$111,081,000, which is interest-bearing at 1% per annum over one-month HIBOR or 3% per annum below the prime rate quoted by the bank, whichever is lower, secured by a first legal charge over the Group’s properties located at Unit Nos. 1201, 1202, 1203, 1209, 1210, 1211 & 1212 and the corridor on 12th Floor, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong (the “Shun Tak Property”), guaranteed by the Company and two wholly-owned subsidiaries of the Company, and maturing on 18 March 2038, (ii) 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 2021 and 27 October 2021 respectively, and (iii) various advances in the aggregate principal amount of HK\$26,625,000 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 2021;
- (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 interest stipulated under the loan agreement and (ii) a personal guarantee given by Mr. Lei Hong Wai, and maturing on 27 May 2022;
- (d) the securities margin financing facility of HK\$39,699,000 granted by a securities company, which are interest-bearing at prime rate plus 3% per annum and secured by the Group’s listed securities in Hong Kong held in the margin securities trading account and a personal guarantee given by Mr. Lei Hong Wai; and

- (e) the securities margin financing facility of HK\$13,191,000 granted by a securities company, which are interest-bearing at a fixed rate of 6% per annum and secured by the Group's listed securities in Hong Kong held in the margin securities trading account and a personal guarantee given by Mr. Lei Hong Wai.

Gearing ratio

At 30 June 2021, the gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of the Company was 26% (31 December 2020: 28%).

Net current assets and current ratio

At 30 June 2021, the Group's net current assets and current ratio were HK\$500,178,000 (31 December 2020: HK\$331,887,000) and 1.53 (31 December 2020: 1.37) respectively.

Capital structure

During the six months ended 30 June 2021, 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 2021, the Group did not have any material acquisitions of subsidiaries, associates and joint ventures.

Material disposals of subsidiaries, associates and joint ventures

In May 2021, the Group disposed of 62,195,000 shares in Global Mastermind at the aggregate consideration of HK\$123,839,000 (net of transaction costs) on the Exchange. Prior to the disposal, Global Mastermind had been a 24.85% owned associate of the Company and Global Mastermind had been accounted for as investment in an associate in the consolidated financial statements of the Group in accordance with Hong Kong Accounting Standard 28 *Investments in Associates and Joint Ventures*. Upon completing the disposal, the Group held 64,730,000 shares in Global Mastermind, representing 12.67% of the issued share capital of Global Mastermind, and Global Mastermind ceased to be an associate of the Company.

Other than as disclosed above, the Group did not have any material disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2021.

Pledge of assets

At 30 June 2021, the following Group's assets were pledged:

- (a) the Shun Tak Property with a carrying amount of HK\$348,045,000 (31 December 2020: HK\$350,758,000), of which HK\$183,045,000 (31 December 2020: HK\$210,758,000) is classified under "property, plant and equipment" and HK\$165,000,000 (31 December 2020: HK\$140,000,000) is classified under "investment properties", for securing the banking facilities granted to the Group;
- (b) the 100% issued shares in Eternity Investment (China) Limited (formerly known as China Jiu hao Health Industry Group Limited) with the unaudited combined net assets of HK\$1,275,296,000 (31 December 2020: HK\$1,212,786,000) after adjusting for purchase price allocation for securing the Notes; and
- (c) the Group's listed securities in Hong Kong with a fair value of HK\$194,578,000 (31 December 2020: HK\$231,228,000), of which HK\$142,210,000 (31 December 2020: HK\$131,101,000) is related to the Group's financial assets at FVTPL and HK\$52,368,000 (31 December 2020: HK\$100,127,000) is related to the listed securities of an associate of the Group, for securing the margin financing facilities granted to the Group.

Material commitments

At 30 June 2021, the Group had a total commitment of HK\$290,865,000 (31 December 2020: HK\$238,288,000) 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 statement 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 2021, 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\$37,256,000) (excluding overdue interest) regarding an engagement of the Beijing 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 2021, the headcount of the Group was 86 (2020: 69). Staff costs (including directors' emoluments) amounted to HK\$39,398,000 in the six months ended 30 June 2021 (2020: HK\$21,966,000). The increase in staff costs was attributable to the recognition of the equity-settled share-based payment expenses of HK\$16,377,000 arising from the grant of share options to executive directors and employees of the Group. In addition to basic salaries, contributions to retirement benefits scheme and discretionary bonus, staff benefits include medical scheme and share options.

Operations Review

Sale of financial assets business

During the six months ended 30 June 2021, the Group's sale of financial assets business reported a segment loss (before taxation) of HK\$405,000, whereas a segment profit of HK\$17,996,000 was recorded in the previous period. The deterioration in segment results was due to the recognition of the loss of 62,269,000 arising on change in fair value of financial assets at FVTPL, which fully offset the trading gain of HK\$61,930,000 from selling Hong Kong-listed securities.

During the six months ended 30 June 2021, the Group acquired seven Hong Kong-listed securities with the aggregate acquisition costs of HK\$58,481,000 and made the trading gain of HK\$61,930,000 from selling five Hong Kong-listed securities with the aggregate carrying amounts of HK\$279,106,000 at the aggregate net sale proceeds of HK\$341,036,000.

In May 2021, the Group disposed of 62,195,000 shares in Global Mastermind, a then 24.85% owned associate of the Company, at the aggregate consideration of HK\$123,839,000 (net of transaction costs) on the Exchange. Upon completing the disposal, the Group held 64,730,000 shares in Global Mastermind, representing 12.67% of the issued share capital of Global Mastermind, and Global Mastermind ceased to be an associate of the Company. Accordingly, the 64,730,000 shares in Global Mastermind with a fair value of HK\$129,460,000 were accounted for as financial assets at FVTPL for financial reporting purposes.

Movements in the carrying amount of the Hong Kong-listed and unlisted securities held by the Group during the six months ended 30 June 2021 and 2020 are as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at 1 January	410,395	240,815
<i>Add:</i> acquisitions	58,481	37,034
transfer from interests in associates	129,460	—
gain arising on change in fair value recognised	—	16,425
<i>Less:</i> disposals	(279,106)	(12,673)
loss arising on change in fair value recognised	(62,269)	—
	<hr/>	<hr/>
Carrying amount at 30 June	256,961	281,601
	<hr/> <hr/>	<hr/> <hr/>

Details of the Hong Kong-listed and unlisted securities held by the Group at 30 June 2021 are as follows:

Name of Hong Kong-listed securities	Number of shares held at 30 June 2021	Fair value at 30 June 2021 <i>HK\$'000</i>	Fair value as compared to the consolidated total assets of the Group at 30 June 2021	Dividend received/receivable in the six months ended 30 June 2021 <i>HK\$'000</i>	Gain/(loss) arising on change in fair value recognised in the six months ended 30 June 2021 <i>HK\$'000</i>
Affluent Partners Holdings Ltd. (stock code: 1466)	1,674,200	231	0.01%	—	(15)
Boill Healthcare Holdings Ltd. (stock code: 1246)	29,000,000	7,250	0.18%	—	870
Brockman Mining Ltd. (stock code: 159)	68,327,000	15,032	0.38%	—	5,077
Frontier Services Group Ltd. (stock code: 500)	46,042,000	41,898	1.06%	—	6,950
Global Mastermind Holdings Ltd. (stock code: 8063)	64,730,000	9,127	0.23%	—	(120,333)
Huanxi Media Group Ltd. (stock code: 1003)	31,650,000	56,970	1.44%	—	7,045
Kingston Financial Group Ltd. (stock code: 1031)	33,028,000	17,835	0.45%	—	(4,624)
Lajin Entertainment Network Group Ltd. (stock code: 8172)	25,500,000	8,160	0.21%	—	6,375
Link-Asia International Medtech Group Ltd. (stock code: 1143)	1,500,000	375	0.01%	—	(187)
Nayuki Holdings Ltd. (stock code: 2150)	19,000	325	0.01%	—	(55)
Nimble Holdings Company Ltd. (stock code: 186)	84,123,268	57,204	1.45%	—	8,740
Ocean Line Port Development Ltd. (stock code: 8502)	12,096,000	3,145	0.08%	—	60
SuperRobotics Holdings Ltd. (stock code: 8176)	5,495,000	3,572	0.09%	—	(1,374)
Town Health International Medical Group Ltd. (stock code: 3886)	70,000,000	33,950	0.86%	—	29,327
Yunfeng Financial Group Ltd. (stock code: 376)	644,000	1,887	0.05%	—	(125)
		<u>256,961</u>		<u>—</u>	<u>(62,269)</u>
Name of Hong Kong unlisted securities					
Hsin Chong Group Holdings Ltd.	90,000,000	—	0.00%	—	—
		—		—	—
		<u>256,961</u>		<u>—</u>	<u>(62,269)</u>

The directors believe that the future performance of the Hong Kong-listed securities held by the Group is largely affected by economic factors, investor sentiment, demand and supply balance of an investee company's shares, and fundamentals of an investee company, such as 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 securities portfolio, and proactively adjust the Group's securities portfolio mix to improve its performance.

Money lending business

During the six months ended 30 June 2021, the Group's money lending business generated interest income on loans amounting to HK\$35,024,000, a 21% decrease from HK\$44,305,000 in the previous period, and reported a segment loss (before taxation) of HK\$78,195,000, a 23% improvement from the segment loss of HK\$100,918,000 for the six months ended 30 June 2020.

The decrease in interest income was mainly attributable to no further interest income from two loans classified under stage 3 (credit-impaired) being recognised as the Group had cast doubt on the customers' ability and intention to pay interest on loans when they were due. In contrast, these two loans were classified under stage 2 (significant increase in credit risk) and the related interest income was recognised in the six months ended 30 June 2020. The improvement in segment results was mainly attributable to a HK\$32,373,000 decrease in allowance for credit losses on loan receivables as discussed below.

The average monthly outstanding balance of loan receivables (before accumulated allowance for credit losses) remained fairly stable from HK\$990,379,000 in the six months ended 30 June 2020 compared to HK\$993,692,000 in the six months ended 30 June 2021. During the six months ended 30 June 2021, the Group granted six new loans to six customers with the aggregate principal amount of HK\$330,000,000. The Group's customers made drawings in the aggregate principal amount of HK\$332,595,000 from the new and existing loans and repayment of HK\$218,980,000 to the Group.

At 30 June 2021, there were 17 loans that remained outstanding, in which (i) 13 loans with the aggregate outstanding principal amount of HK\$666,683,000 were classified under stage 1 (initial recognition), (ii) one loan with the outstanding principal amount of HK\$165,000,000 was classified under stage 2 (significant increase in credit risk), and (iii) three loans with the aggregate outstanding principal amount (before written-off of HK\$15,775,000) of HK\$262,617,000 were classified under stage 3 (credit-impaired).

During the six months ended 30 June 2021, a loan receivable was transferred from stage 1 (initial recognition) to stage 2 (significant increase in credit risk) as the customer had failed to pay interest on the loan when they were due. Since July 2021, the Group has been discussing with the customer classified under stage 2 (significant increase in credit risk) for settling the outstanding interest on loan, which includes partial settlement of outstanding interest within a stipulated period and provision of security. In addition, the loan receivable previously classified under stage 2 (significant increase in credit risk) was transferred to stage 3 (credit-impaired) as the Group has engaged a lawyer to commence a civil proceeding in Mainland China against the customer for recovering the outstanding principal amount of the loan together with the accrued and unpaid interest. For the loans classified under stage 3 (credit-impaired), the Group is taking various actions, including legal actions and negotiation of settlement arrangements, against the customers and, if any, the guarantor to recover the outstanding principal amount of the loans together with the accrued and unpaid interest thereon.

At the end of the reporting period, the directors performed an impairment assessment on the Group's loan receivables with reference to a valuation prepared by an independent professional valuer. Based on the valuation, a HK\$101,343,000 allowance for credit losses on loan receivables was made, a HK\$32,373,000 decrease compared to that for the six months ended 30 June 2020. Of the total allowance for credit losses recognised for the six months ended 30 June 2021, a reversal of allowance for credit losses of HK\$4,805,000 (2020: allowance for credit losses of HK\$12,680,000) was recognised for loan receivables classified under stage 1 (initial recognition), HK\$78,116,000 (2020: HK\$121,036,000) was recognised for loan receivables classified under stage 2 (significant increase in credit risk), and HK\$28,032,000 (2020: Nil) was recognised for loan receivables classified under stage 3 (credit-impaired). The reversal of allowance for credit losses of HK\$4,805,000 under stage 1 (initial recognition) arisen from (i) the decrease in the probability of default rate in calculating the 12-month expected credit losses resulting from the global economy's recovery following the deployment of the vaccination programme in early 2021, and (ii) the reversal of allowance for credit losses previously recognised for a repaid loan. A total of HK\$106,148,000 allowance for credit losses was made for the loan receivables classified under stage 2 (significant increase in credit risk) and stage 3 (credit-impaired) as two loans were transferred to higher stages which have a higher probability of default rate in calculating the lifetime expected credit losses.

Since the financial year of 2020, the Group has recorded a substantial increase in the allowance for credit losses on its loan receivables. The Group believes that such a substantial increase was primarily attributable to the outbreak of the COVID-19 pandemic in early 2020, which has an adverse impact on the financial condition and cash flow of several customers. In addition, it is evidenced by the money lending business that contributed positively to the Group prior to the COVID-19 pandemic. Nevertheless, the Group will continue to monitor the performance of its loan portfolio closely, especially in the repayment and financial condition of each customer.

At 30 June 2021, the Group's loan receivables, together with accrued interest receivables (before accumulated allowance for credit losses), amounted to HK\$1,105,420,000 (31 December 2020: HK\$976,599,000).

Sale of jewelry products business

During the six months ended 30 June 2021, the Group's sale of jewelry products business generated revenue of HK\$40,789,000, a 41% increase from HK\$29,028,000 for the previous period, and reported a segment loss (before taxation) of HK\$1,639,000, an 86% decrease from HK\$11,842,000 in the prior period. The improvement in the segment loss was due to (i) the increase in the sale of jewelry products and (ii) the absence of the previous period's loss of inventories of HK\$4,914,000 due to theft.

During the first half of 2021, the Group achieved a 41% growth in its revenue by accepting sales orders for jewelry accessories and subcontracting works, which generally have a high volume with a slim profit margin. As a result, the Group merely reported a single-digit gross profit margin in the six months ended 30 June 2021. As the progress of vaccination was going to drive the pace of economic recovery, the Group started to receive sales orders from European customers and a local agent for American customers in June 2021. Consequently, the Group expected that the gross profit and gross profit margin would improve in the second half of 2021. In addition, the development of the Group's own business-to-business sales portal for business development and placing sales orders was at the final stage. The Group expected that the business-to-business sales portal would be launched in the third quarter of 2021, which would enhance its sales and marketing capabilities.

At the end of the reporting period, the directors performed an impairment 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 credit losses on trade receivables of HK\$153,000 was reversed. The reversal of the HK\$153,000 allowance for credit losses was due to the decrease in the probability of default rate in calculating the 12-month expected credit losses of trade receivables that resulted from the global economy's recovery following the deployment of the vaccination programme in early 2021.

At 30 June 2021, the Group's inventories of jewelry products, including raw materials, work-in-progress and finished goods, amounted to HK\$30,875,000 (31 December 2020: HK\$28,618,000), and the Group's sale of jewelry products business had undelivered sales orders amounting to HK\$3,300,000 (31 December 2020: HK\$2,200,000).

Property investment business

During the six months ended 30 June 2021, the Group's property investment business generated rental income of HK\$16,482,000, a 32% increase from HK\$12,470,000 for the six months ended 30 June 2020, and recorded a segment loss (before taxation) of HK\$16,949,000, a 64% decrease from HK\$46,555,000 for the six months ended 30 June 2020.

The increase in rental income was attributable to the increase in the rental income generated from the leasing of the assets of the Club as the rental income had increased by 30% since October 2020 in accordance with the terms of the signed club lease agreement. In addition, the appreciation of Renminbi during the six months ended 30 June 2021 contributed to the increase in rental income as the rental income generated from the assets of the Club were received and receivable in Renminbi. Of the total rental income, HK\$14,040,000 was generated from the assets of the Club and HK\$2,442,000 was generated from the investment property portion of the Shun Tak Property. The improvement of the segment results was attributable to (i) the absence of the previous period's loss arising on change in fair value of investment properties of HK\$25,700,000, (ii) the increase in rental income generated from the leasing of the assets of the Club as discussed below, and (iii) the recognition of a gain of HK\$4,300,000 arising on change in fair value of investment properties.

In January 2021, the Group changed the use of an office unit of the Shun Tak Property for earning rental purposes. At the date of change in use, the office unit had a carrying amount of HK\$24,215,000 and a fair value of HK\$20,700,000. Accordingly, the office unit was transferred from "property, plant and equipment" to "investment properties" at the fair value of HK\$20,700,000 for financial reporting purposes. As the carrying amount of the office unit exceeded its fair value, the excess of HK\$3,515,000 was recognised as an impairment loss on property, plant and equipment. Although more office space of the investment property portion of the Shun Tak Property is leasing out, the Group did not record an increase in the rental income generated from the investment property portion of the Shun Tak Property as offices in the Sheung Wan area continue to face greater vacancy and rental pressure.

In May 2020, the Group invited tenders to build two serviced apartment complexes on the second and third phases of the Subject Land and awarded the tender to a Mainland Chinese construction company in June 2020. The building works involve erecting two serviced apartment complexes, namely the South Complex and the North Complex. The South Complex has three blocks of three-storey serviced apartments, whereas the North Complex has six blocks of three-storey serviced apartments. 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 delay and expected to complete in the fourth quarter of 2021. After the buildings work, the South Complex and the North Complex are put under interior decoration and prepared for inspections by the relevant governmental authorities. The Group has launched the marketing activities in leasing the serviced apartments, and the response is satisfactory. To reduce the cash outlays for development, the South Complex will first be put under interior decoration and prepared for inspections by the relevant governmental authorities after the building works. It is planned that the South Complex will officially launch onto the market, and the Group will start the leasing activities in the fourth quarter of 2021.

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 facilities of the Club and (ii) the rights to develop and operate the Subject Land and the rights to manage the properties erected on the Subject Land with reference to two discount 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 of goodwill and intangible assets were required.

At the end of the reporting period, the directors tested the right-of-use assets for impairment with reference to the two discount 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 the independent qualified valuer, the fair value of the investment property portion of the Shun Tak Property increased from HK\$140,000,000 at 31 December 2020 to HK\$165,000,000 (including the fair value of the office unit of HK\$20,700,000 transferred from "property, plant and equipment" in January 2021) at 30 June 2021. Accordingly, the Group recognised the gain of HK\$4,300,000 arising on change in fair value of investment properties.

Investments in associates

Elite Prosperous is an investment holding company and the principal asset of which is the term loan of US\$10,000,000 (equivalent to HK\$78,410,000) advanced to an 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. Pursuant to the loan instrument, Elite Prosperous is entitled to convert the term loan into (i) such number of preferred shares in the capital of the unlisted investment holding company, or (ii) such number of preferred shares in the capital of one of the wholly-owned subsidiary of the unlisted investment holding company, which is engaged in provision of online, mobile and cross-border payment services. In May 2019, a subsidiary of the unlisted investment holding company has been awarded a stored value facilities licence by Hong Kong Monetary Authority. During the six months ended 30 June 2021, no conversion of the term loan was taken place as the unlisted investment holding company is contemplating an initial public offering of its shares in the United States. At the end of the reporting period, Elite Prosperous measured the term loan at fair value. Based on a valuation report prepared by an independent professional valuer, the fair value of the term loan decreased from HK\$25,726,000 at 31 December 2020 to HK\$25,342,000 at 30 June 2021 and Elite Prosperous recognised a loss of HK\$384,000 arising on change in the fair value of term loan in profit or loss. During the six months ended 30 June 2021, Elite Prosperous reported a loss of HK\$384,000 and the Group shared a loss of HK\$188,000 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 2021, the Group further acquired 4,800,000 shares in China Healthwise at a consideration of HK\$1,573,000 on the Exchange and, accordingly, the Group's shareholding interests in China Healthwise increased from 20.27% to 20.90%. The further acquisition of 4,800,000 shares in China Healthwise resulted in a gain on bargaining purchase of associate of HK\$587,000. During the six months ended 30 June 2021, China Healthwise reported a profit of HK\$36,569,000, whereas a loss of HK\$38,617,000 for the six months ended 30 June 2020, and the Group shared a profit of HK\$7,350,000 from China Healthwise. The turnaround in China Healthwise's results for the six months ended 30 June 2021 was mainly due to the recognition of the substantial net realised and unrealised gains on its financial instruments.

Global Mastermind is an investment holding company and its subsidiaries are principally engaged in the provision and operation of travel business, treasury management business, money lending business and provision of securities, finance advisory services, and asset management services. On 7 May 2021, Global Mastermind issued and allotted 84,507,042 new shares pursuant to the exercise of the conversion rights attached to the convertible bonds of HK\$60,000,000 by the bondholder and the Group's shareholding interests in Global Mastermind was diluted from 29.77% to 24.85%. As a result, the Group recognised a loss of deemed disposal of associate of HK\$3,323,000. In May 2021, the Group disposed of 62,195,000 shares in Global Mastermind at the aggregate consideration of HK\$123,839,000 (net of transaction costs) on the Exchange. Upon completing the disposal, the Group held 64,730,000 shares in Global Mastermind, representing 12.67% of the issued share capital of Global Mastermind, and Global Mastermind ceased to be an associate of the Company. Accordingly, the Group recognised a gain of disposal of associate of HK\$146,321,000 and the 64,730,000 shares in Global Mastermind were accounted for as financial assets at FVTPL for financial reporting purposes. During the period from 1 January 2021 to 24 May 2021 (being the date on which Global Mastermind ceased to be an associate of the Company), Global Mastermind reported a profit of HK\$20,960,000 and the Group shared a profit of HK\$6,241,000 from Global Mastermind.

Future Prospects

In late July 2021, the Hong Kong equity market experienced heavy selling in Mainland Chinese stocks causing the Hang Seng Index to suffer a heavy loss. The sell-off in Mainland Chinese stocks came as the Mainland Chinese authorities continue to step up their regulation in sectors from technology to education and food delivery. Despite the Mainland Chinese authorities' reassurance investors over their recent aggressive policy on the education sector, the directors expect the Hong Kong equity market remains volatile in the second half of 2021. Accordingly, the directors will closely monitor and adjust the Group's listed securities portfolio from time to time and realise the Hong Kong-listed securities held by the Group into cash as and when appropriate in the second half of 2021.

As the Delta variant poses risks to the economic recovery, the directors intend to maintain the size of the Group's loan portfolio in the second half of 2021. 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 2021 will be more or less the same as the first half of 2021. Nevertheless, the directors will continue to monitor the performance of the loan portfolio closely, especially in the repayment and financial condition of each customer.

As the Group started to receive sales orders from European and American customers in June 2021, the directors expect the performance of the Group's sales of jewelry business will improve in the second half of 2021.

As the development of the second and third phases of the Subject Land is underway, the directors expect the performance of the Group's property investment business in the second half of 2021 will be mostly the same as the first half of 2021. However, given that the development of the second and third phases of the Subject Land is 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 economic and market uncertainty, the directors remain cautious and watchful over the development of the COVID-19 pandemic and its impacts. Accordingly, the directors commit to lead 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

On 23 July 2021, the Group acquired a 29% equity interest in a company incorporated in Hong Kong engaging in trading and supply of tea and food-related products at a consideration of HK\$26,500,000.

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 Appendix 14 of the Listing Rules throughout the six months ended 30 June 2021, except for:

- (a) code provision A.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 2021, 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; and

- (b) code provision A.4.1 of the Code requires that non-executive directors should be appointed for a specific term, subject to re-election. All non-executive directors of the Company are not appointed for a specific term, but are subject to retirement from office by rotation and re-election in accordance with the provisions of the Company's bye-laws. At each annual general meeting, one-third of the directors for the time being, (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every director shall be subject to retirement by rotation at least once every three years. As such, the Company considers that such provision is sufficient to meet the underlying objective of this code provision.

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 2021.

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

During the six months ended 30 June 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 2021 interim report and the condensed consolidated financial statements for the six months ended 30 June 2021 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, 27 August 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.