



ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

2021

INTERIM REPORT



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Corporate Information

Board of Directors

Executive directors

Mr. Lei Hong Wai

(Chairman and Chief Executive Officer)

Mr. Cheung Kwok Wai Elton

Mr. Chan Kin Wah Billy

Mr. Cheung Kwok Fan

Independent non-executive directors

Mr. Wan Shing Chi

Mr. Ng Heung Yan

Mr. Wong Tak Chuen

Company Secretary

Mr. Chan Kin Wah Billy

Members of Audit Committee

Mr. Wong Tak Chuen *(Chairman)*

Mr. Wan Shing Chi

Mr. Ng Heung Yan

Members of Remuneration Committee

Mr. Ng Heung Yan *(Chairman)*

Mr. Lei Hong Wai

Mr. Wan Shing Chi

Members of Nomination Committee

Mr. Lei Hong Wai *(Chairman)*

Mr. Wan Shing Chi

Mr. Ng Heung Yan

Members of Finance Committee

Mr. Chan Kin Wah Billy *(Chairman)*

Mr. Wong Tak Chuen

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head Office and Principal Place of Business

Unit 1211

Shun Tak Centre, West Tower

168-200 Connaught Road Central

Hong Kong

Principal Share Registrar and Transfer Office

Conyers Corporate Services (Bermuda) Limited

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited

Share Registration Public Office

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

Auditors

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Principal Bankers

DBS Bank (Hong Kong) Limited

Hang Seng Bank Limited

Stock Code

764

Website

www.etrernityinv.com.hk

Email Address

billy@etrernityinv.com.hk

Condensed Consolidated Statement of Profit or Loss

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

The accompanying notes form an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (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)	—
Other comprehensive income/(expense) for the period, net of income tax	4,273	(22,919)
Total comprehensive income/(expense) for the period	33,656	(231,885)
Total comprehensive income/(expense) for the period attributable to:		
Owners of the Company	33,822	(231,783)
Non-controlling interests	(166)	(102)
	33,656	(231,885)

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	13	698,203	654,528
Right-of-use assets	14	242,796	244,716
Investment properties	15	165,000	140,000
Intangible assets		861,423	862,058
Goodwill		293,170	289,841
Interests in associates	16	82,535	177,341
Deferred tax assets		68,299	50,642
Prepayments and other receivables		23,934	25,441
Loan receivables	17	62,273	161,430
		2,497,633	2,605,997
Current assets			
Inventories		35,015	32,993
Loan receivables	17	738,126	611,491
Trade receivables	18	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

Condensed Consolidated Statement of Financial Position (Continued)

	Notes	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
EQUITY			
Share capital	19	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	20	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	21	162,706	162,465
Other borrowings	22	252,890	254,315
Lease liabilities		3,047	3,042
Secured notes	23	225,000	250,000
Amount due to an associate		1,966	1,966
Amount due to a director	24	—	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

The accompanying notes form an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Contributed surplus	Other reserve	Equity-settled share-based		Retained profits	Sub-total	Non-controlling interests	Total
						payment	Exchange				
						reserve	reserve				
HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	
At 1 January 2020	38,196	1,807,051	17,761	404,663	20,228	–	(101,227)	237,259	2,423,931	(5,475)	2,418,456
Loss for the period	–	–	–	–	–	–	–	(208,757)	(208,757)	(209)	(208,966)
Other comprehensive (expense)/ income for the period	–	–	–	–	–	–	–	–	–	–	–
Share of other comprehensive expense of associates	–	–	–	–	–	–	(725)	–	(725)	–	(725)
Exchange differences arising on translating foreign operations	–	–	–	–	–	–	(22,301)	–	(22,301)	107	(22,194)
Total comprehensive expense for the period	–	–	–	–	–	–	(23,026)	(208,757)	(231,783)	(102)	(231,885)
Recognition of treasury shares held by an associate	–	–	–	–	(293)	–	–	–	(293)	–	(293)
At 30 June 2020	38,196	1,807,051	17,761	404,663	19,935	–	(124,253)	28,502	2,191,655	(5,577)	2,186,278
At 1 January 2021	38,196	1,807,051	17,761	404,663	19,035	–	(15,639)	97,594	2,368,661	(6,004)	2,362,657
Profit for the period	–	–	–	–	–	–	–	29,480	29,480	(97)	29,383
Other comprehensive (expense)/ income for the period	–	–	–	–	–	–	–	–	–	–	–
Share of other comprehensive expense of associates	–	–	–	–	–	–	(66)	–	(66)	–	(66)
Exchange differences arising on translating foreign operations	–	–	–	–	–	–	4,428	–	4,428	(69)	4,359
Reclassification adjustment for an associate disposed of	–	–	–	–	–	–	(20)	–	(20)	–	(20)
Total comprehensive income for the period	–	–	–	–	–	–	4,342	29,480	33,822	(166)	33,656
Transfer of other reserve upon disposal of an associate	–	–	–	–	(19,035)	–	–	19,035	–	–	–
Recognition of equity-settled share-based payment	–	–	–	–	–	16,377	–	–	16,377	–	16,377
At 30 June 2021	38,196	1,807,051	17,761	404,663	–	16,377	(11,297)	146,109	2,418,860	(6,170)	2,412,690

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from/(used in) operations	202,290	(29,011)
Tax paid	(1,636)	—
Net cash generated from/(used in) operating activities	200,654	(29,011)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment in an associate	(1,573)	(1,477)
Proceeds from disposal of an associate	123,839	—
Purchase of property, plant and equipment	(73,659)	(703)
Net cash inflow arising on other investing activities	626	1,489
Net cash generated from/(used in) investing activities	49,233	(691)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from a director	—	1,200
Interest paid	(28,580)	(24,760)
Proceeds from bank borrowings	51,625	40,226
Proceeds from other borrowings	—	29,875
Repayment of bank borrowings	(51,384)	(40,168)
Repayment of other borrowings	(1,425)	—
Repayment of secured notes	(25,000)	—
Repayments of leases liabilities	(530)	(364)
Repayment to a director	(1,300)	(1,200)
Net cash (used in)/generated from financing activities	(56,594)	4,809

Condensed Consolidated Statement of Cash Flows (Continued)

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net increase/(decrease) in cash and cash equivalents	193,293	(24,893)
Cash and cash equivalents at the beginning of the reporting period	54,125	140,550
Effect of foreign exchange rate changes	7,560	(3,965)
Cash and cash equivalents at the end of the reporting period	254,978	111,692

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

1. Basis of preparation

The condensed consolidated financial statements of Eternity Investment Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) 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 “**Listing Rules**”).

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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

3. Operating segments

The Group's operating segments have been determined based on the information reported to the Chairman of the board of directors (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 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)
Segment revenue	16,482	61,930	35,024	40,789	154,225
Segment loss	(16,949)	(405)	(78,195)	(1,639)	(97,188)
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					10,667
Profit before taxation					10,855
Income tax credit					18,528
Profit for the period					29,383

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

3. Operating segments (Continued)

Segment revenue and results (Continued)

For the six months ended 30 June 2020

	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)
Segment revenue	12,470	1,299	44,305	29,028	87,102
Segment (loss)/profit	(46,555)	17,996	(100,918)	(11,842)	(141,319)
Interest income on bank deposits					29
Unallocated corporate expenses					(1,952)
Finance costs					(24,844)
Share of results of associates					(63,856)
Loss before taxation					(231,942)
Income tax credit					22,976
Loss for the period					(208,966)

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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

3. Operating segments (Continued)

Segment assets and liabilities

At 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)
Segment assets					
– Hong Kong	359,707	420,319	864,723	63,086	1,707,835
– The People's Republic of China (the "PRC")	2,126,613	–	–	–	2,126,613
	2,486,320	420,319	864,723	63,086	3,834,448
Unallocated corporate assets					109,483
Consolidated total assets					3,943,931
Segment liabilities					
– Hong Kong	(111,595)	(65,000)	(952)	(54,668)	(232,215)
– The PRC	(851,317)	–	–	–	(851,317)
	(962,912)	(65,000)	(952)	(54,668)	(1,083,532)
Unallocated corporate liabilities					(447,709)
Consolidated total liabilities					(1,531,241)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

3. Operating segments (Continued) Segment assets and liabilities (Continued) At 31 December 2020

	Property investment HK\$'000 (Audited)	Sale of financial assets HK\$'000 (Audited)	Money lending HK\$'000 (Audited)	Sale of jewelry products HK\$'000 (Audited)	Consolidated HK\$'000 (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>	<u>3,651,088</u>
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>	<u>(1,004,896)</u>
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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

3. Operating segments (Continued)

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)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

3. Operating segments (Continued) Other segment information (Continued) For the six months ended 30 June 2020

	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	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)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

3. Operating segments (Continued)

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 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Australia	454	95
Europe	4,403	3,326
Hong Kong	135,328	73,758
The PRC	14,040	9,923
	154,225	87,102

4. Revenue

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 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	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	154,225	87,102
Timing of revenue recognition		
— a point in time	40,789	29,028
— over time	—	—
Revenue from contracts with customers	40,789	29,028

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

4. Revenue (Continued)

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 HK\$'000 (Unaudited)	2020 HK\$'000 (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 HK\$'000 (Unaudited)	2020 HK\$'000 (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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

5. Investment and other income

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (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 HK\$'000 (Unaudited)	2020 HK\$'000 (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)	—
	84,762	(9,275)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

7. Allowance for credit losses on financial assets

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (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	–
	101,343	133,716
(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
	100,993	135,612

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2020.

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
	33,413	29,040
Less: interest on lease liabilities capitalised in the cost of qualifying assets	(4,598)	(4,196)
	28,815	24,844

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

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
	18,528	22,976

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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

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 HK\$'000 (Unaudited)	2020 HK\$'000 (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).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

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 HK\$'000 (Unaudited)	2020 HK\$'000 (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	29,480	(208,757)

	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	171	—
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	3,819,777	3,819,606

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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

13. Movements in property, plant and equipment

During the six months ended 30 June 2021, the Group acquired certain items of property, plant and equipment with an aggregate cost of HK\$73,659,000 (2020: HK\$703,000). During the six months ended 30 June 2021, the Group disposed of certain items of property, plant and equipment with an aggregate carrying amount of HK\$75,000 (2020: Nil), resulting in a written-off of HK\$75,000 (2020: Nil).

On 4 January 2021, certain portion of the building located in Hong Kong with a carrying amount of HK\$24,215,000 and a fair value of HK\$20,700,000 was transferred to investment properties as the Group changed the usage from owner-occupation to earning rental. As a result, an impairment loss on property, plant and equipment of HK\$3,515,000 was recognised in profit or loss. The fair value of HK\$20,700,000 was determined on the basis of a valuation carried out by an independent firm of qualified valuer, APAC Appraisal and Consulting Limited (“APAC”).

14. Movements in right-of-use assets

During the six months ended 30 June 2021 and 2020, the Group did not enter into any new lease agreement. The depreciation of right-of-use assets HK\$1,469,000 has been recognised directly in profit or loss for the six months ended 30 June 2021 (2020: HK\$1,362,000) and HK\$1,878,000 (2020: HK\$1,725,000) has been capitalised in the cost of qualifying assets.

15. Movements in investment properties

The Group's investment properties located in Hong Kong at the end of the reporting period were valued by an independent firm of qualified valuer, APAC, using the same valuation technique as used by it when carrying out the valuation of 31 December 2020. The resulting increase in fair value of investment properties of HK\$4,300,000 has been recognised directly in profit or loss for the six months ended 30 June 2021 (2020: a decrease in fair value of HK\$25,700,000), including the fair value of certain portion of the building located in Hong Kong of HK\$20,700,000 transferred from “property, plant and equipment” on 4 January 2021.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

16. Interests in associates

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Listed shares in Hong Kong		
– China Healthwise Holdings Limited ("China Healthwise")	69,524	60,059
– Global Mastermind Holdings Limited ("Global Mastermind")	–	104,083
Unlisted shares in Hong Kong		
– China Hong Kong Money Limited ("China Hong Kong Money")	593	593
– Elite Prosperous Investment Limited ("Elite Prosperous")	12,418	12,606
	82,535	177,341
Cost of investments in associates	57,564	240,661
Amount due from an associate	38,437	38,437
Share of post-acquisition loss, other comprehensive expense, net dividends received and reserve	(13,466)	(101,757)
	82,535	177,341
Market value of listed shares		
– China Healthwise	53,134	35,929
– Global Mastermind	N/A	64,732

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

16. Interests in associates (Continued)

China Healthwise

During the six months ended 30 June 2021, the Group further acquired 4,800,000 shares in China Healthwise at an aggregate consideration of HK\$1,573,000 and the Group's shareholdings in China Healthwise increased from 20.27% at 31 December 2020 to 20.90% at 30 June 2021 accordingly. The Group recognised a gain on bargaining purchase of HK\$587,000 in the "Share of results of associates" line item in the condensed consolidated statement of profit or loss for the six months ended 30 June 2021 resulted from the further acquisition.

In view of the volume of the shares of China Healthwise traded in the Main Board of The Stock Exchange of Hong Kong Limited (the "**Exchange**") in each of the previous 12 months immediately prior to the publication of this interim report, the directors considered that the transactions for the shares of China Healthwise taken place in the Main Board of the Exchange did not have sufficient frequency and volume to provide a pricing information on an ongoing basis and there was no deep and liquid market existed for the shares of China Healthwise.

Given that there was no deep and liquid market existed for the shares of China Healthwise, the directors considered that the market value of the shares of China Healthwise was not relevant to the measurement of the fair value of the Group's interest in China Healthwise. Instead, the directors determined the fair value of the Group's interest in China Healthwise based on its condensed consolidated statement of financial position at 30 June 2021 as a majority of China Healthwise's assets and liabilities was measured at fair values in complying with HKFRSs for financial reporting purposes. As such, the directors considered the net assets value of China Healthwise at 30 June 2021 was closely approximate to its fair value at 30 June 2021.

At 30 June 2021, the Group held 161,012,824 shares in China Healthwise and 158,692,024 shares of which, with a fair value of HK\$52,368,000, have been pledged to secure the secured other borrowing – securities margin financing facilities granted to the Group.

Global Mastermind

On 7 May 2021, Global Mastermind received the conversion notices from the bondholder for the exercise of its conversion rights to convert the entire outstanding principal amount of the convertible bonds of HK\$60,000,000 into 84,507,042 shares in Global Mastermind at the adjusted conversion price of HK\$0.71. Global Mastermind allotted and issued the 84,507,042 new shares on 12 May 2021. After the allotment and issue of the 84,507,042 new shares, the Group's shareholdings in Global Mastermind decreased from 29.77% to 24.85%. The Group recognised a loss on deemed disposal of HK\$3,323,000 in the "Share of result of associates" line item in the condensed consolidated statement of profit or loss for the six months ended 30 June 2021.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

16. Interests in associates (Continued)

Global Mastermind (Continued)

During the six months ended 30 June 2021, the Group disposed of an aggregate of 62,195,000 shares in Global Mastermind for a consideration of HK\$123,839,000 (net of transaction costs) through a series of trade executed on the Exchange. The Group's shareholdings in Global Mastermind decreased from 24.85% to 12.67%. Thus, Global Mastermind ceased to be an associate of the Group and the Group recognised a gain on disposal of associate of HK\$146,321,000 in the "Other gains and losses" line item in the condensed consolidated statement of profit or loss for the six months ended 30 June 2021.

The remaining 64,730,000 shares in Global Mastermind held by the Group were accounted for as financial assets at FVTPL in the condensed consolidated financial statements of financial position.

	For the six months ended 30 June 2021 HK\$'000 (Unaudited)
Proceeds of disposal of 12.18% interest in Global Mastermind	123,839
Add: fair value of the 12.67% interest retained	129,460
reclassification of cumulative exchange reserve upon loss of significant influence over Global Mastermind	20
Less: carrying amount of the 24.85% interest on the date of loss of significant influence over Global Mastermind	(106,998)
Gain on disposal of associate recognised in profit or loss	146,321

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

17. Loan receivables

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Loans to customers	1,078,525	964,910
Accrued interest receivables	26,895	11,689
	1,105,420	976,599
<i>Less: accumulated allowance for credit losses</i>	(305,021)	(203,678)
	800,399	772,921

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 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (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
	800,399	772,921

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

17. Loan receivables (Continued)

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).

Movements in the accumulated allowance for credit losses are as follows:

	12 months ECL HK\$'000 (Unaudited)	Lifetime ECL not credit- impaired HK\$'000 (Unaudited)	Lifetime ECL credit- impaired HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
At 1 January 2020	22,021	—	—	22,021
Transfer to lifetime ECL not credit-impaired	(2,881)	2,881	—	—
Transfer to lifetime ECL credit-impaired	(1,162)	—	1,162	—
Allowance for credit losses recognised	11,402	62,303	123,727	197,432
Written-off of loan receivables	—	—	(15,775)	(15,775)
At 31 December 2020 (audited) and 1 January 2021	29,380	65,184	109,114	203,678
Transfer to lifetime ECL not credit-impaired	(8,814)	8,814	—	—
Transfer to lifetime ECL credit-impaired	—	(65,184)	65,184	—
Allowance for credit losses recognised	(4,805)	78,116	28,032	101,343
At 30 June 2021	15,761	86,930	202,330	305,021

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

18. Trade receivables

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

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 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (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
	29,474	29,554

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).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

18. Trade receivables (Continued)

Movements in the accumulated allowance for credit losses are as follows:

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
At the beginning of the reporting period (Reversal of allowance)/allowance for credit losses recognised during the period	460	145
	(153)	315
At the end of the reporting period	307	460

19. Share capital

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each (2020: HK\$0.01 each)		
Authorised:		
At 1 January 2020, 31 December 2020 (audited), 1 January 2021 and 30 June 2021 (unaudited)	10,000,000	100,000
Issued and fully paid:		
At 1 January 2020, 31 December 2020 (audited), 1 January 2021 and 30 June 2021 (unaudited)	3,819,606	38,196

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

20. 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 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (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
	11,891	7,961

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.

21. Bank borrowings

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Secured bank borrowings	162,706	162,465
Carrying amounts that contain a repayable on demand clause (shown under current liabilities) but repayable:		
Within one year	57,706	54,333
More than one year, but not exceeding two years	6,147	6,025
More than two years, but not exceeding five years	18,843	18,541
Over five years	80,010	83,566
<i>Less:</i> amounts shown under current liabilities	(162,706)	(162,465)
Amounts shown under non-current liabilities	–	–

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

21. Bank borrowings (Continued)

At 30 June 2021, the Group had the following bank borrowings:

- (a) a secured mortgage loan of HK\$111,081,000 (31 December 2020: HK\$114,080,000), which is interest bearing at 1% per annum over one-month Hong Kong Interbank Offered Rate (“HIBOR”) or 3% per annum below the prime rate quoted by the bank from time to time, whichever is lower, secured by a first legal charge over the Group’s buildings and investment properties located in Hong Kong with an aggregate carrying amount of HK\$348,045,000 (31 December 2020: HK\$350,758,000), guaranteed by the Company and two wholly-owned subsidiaries of the Company, namely K E Group Limited and Om Gem Limited, and maturing on 18 March 2038;
- (b) two secured revolving term loans of HK\$5,000,000 and HK\$20,000,000 (31 December 2020: HK\$5,000,000 and HK\$20,000,000), which are interest bearing at HIBOR plus 2% per annum, secured by the first legal charge over the Group’s buildings and investment properties located in Hong Kong with an aggregate carrying amount of HK\$348,045,000 (31 December 2020: HK\$350,758,000), guaranteed by the Company and Om Gem Limited, and maturing on 9 September 2021 and 27 October 2021 respectively; and
- (c) a secured account payable financing facilities of HK\$26,625,000 (31 December 2020: HK\$23,385,000), which are interest bearing at 2% per annum over HIBOR, secured by the first legal charge over the Group’s buildings and investment properties located in Hong Kong with an aggregate carrying amount of HK\$348,045,000 (31 December 2020: HK\$350,758,000) guaranteed by the Company and Om Gem Limited, and maturing within five months commencing from July 2021.

As the secured mortgage loan contains a repayable on demand clause, the entire outstanding balance of the secured mortgage loan was classified under current liabilities.

All bank borrowings are denominated in Hong Kong dollar.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

22. Other borrowings

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Secured other borrowings – securities margin financing facilities	52,890	54,315
Unsecured other borrowings	200,000	200,000
	252,890	254,315

At 30 June 2021, the unsecured other borrowing of HK\$200,000,000 is interest bearing at 8% per annum, secured by (i) the post-dated cheques drawn in favour of a 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, the Chairman of the Board and an executive director, and maturing on 27 May 2022.

During the six months ended 30 June 2021, the Company entered into a supplemental agreement with the finance company to extend the repayment date of the unsecured other borrowing from 28 May 2021 to 27 May 2022. Save and except for the extension of the repayment date, all terms and conditions of loan agreement remain unchanged and continue in full force and effect.

At 30 June 2021, 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 (i) the Group's listed equity securities in Hong Kong held in the margin securities trading account with a fair value of HK\$141,820,000, of which HK\$89,452,000 is related to the Group's financial assets at FVTPL and HK\$52,368,000 is related to part of the Group's listed investments in an associate, and (ii) a personal guarantee given by Mr. Lei Hong Wai.

At 30 June 2021, 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 (i) the Group's listed equity securities in Hong Kong held in the margin securities trading account with a fair value of HK\$52,758,000, which is related to the Group's financial assets at FVTPL and (ii) a personal guarantee given by Mr. Lei Hong Wai.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

23. Secured notes

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Secured notes	225,000	250,000
		<i>HK\$'000</i>
At 1 January 2020		299,841
Imputed interest on secured notes		28,105
Interest paid and payable		(27,946)
Issue of secured notes		270,000
Set off of secured notes		(270,000)
Redemption		(50,000)
At 31 December 2020 (audited) and 1 January 2021		250,000
Imputed interest on secured notes		16,010
Interest paid and payable		(16,010)
Redemption		(25,000)
At 30 June 2021 (unaudited)		225,000

On 25 September 2020, the Company as issuer, Mr. Lei Hong Wai and Mr. Cheung Kwok Wai Elton, an executive director of the Company, as guarantors entered into a subscription and note instrument agreement (the “**Subscription Agreement**”) with the subscriber, pursuant to which the Company would issue and the subscriber would subscribe for the guaranteed secured notes due 2021 in the aggregate principal amount of HK\$270,000,000 (the “**2020 Notes**”). Pursuant to the terms and conditions of the Subscription Agreement, the proceeds of the 2020 Notes would be fully set off against the outstanding principal amount of HK\$300,000,000 secured notes issued on 25 August 2017. On 29 September 2020, the Company issued the 2020 Notes in the aggregate principal amount of HK\$270,000,000 to the subscriber.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

23. Secured notes (Continued)

The 2020 Notes are interest bearing at 13% per annum and payable semi-annually in arrears, secured by a share charge over 100% of the issued share capital 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 (i) the rights to construct and operate the club facilities of membership golf club and resort (the “**Club**”) in Beijing, Mainland China, and (ii) the rights to develop and operate a piece of 580 Chinese acre land (the “**Subject Land**”) adjacent to the Club and the rights to manage the properties erected on the Subject Land, and guaranteed by Mr. Lei Hong Wai and Mr. Cheung Kwok Wai Elton, and maturing on 25 September 2021.

On 21 December 2020, the Company made a partial redemption of HK\$20,000,000 of the 2020 Notes together with unpaid interest accrued of the partial redemption of HK\$648,000. At 31 December 2020, the outstanding principal amount of the 2020 Notes was HK\$250,000,000.

On 25 May 2021, the Company made a partial redemption of HK\$25,000,000 of the 2020 Notes together with unpaid interest accrued of the partial redemption of HK\$543,000. At 30 June 2021, the outstanding principal amount of the 2020 Notes was HK\$225,000,000.

Under the 2020 Notes, the Company covenants with the noteholder that from the issue date and for so long as any 2020 Notes are outstanding, (i) the Group will not create any encumbrance upon the whole or any part of its present or future undertaking, assets or revenue of the Group to secure any present or future indebtedness incurred or to secure any guarantee or indemnity in respect of any guarantee or indemnity in respect of (subject to the exceptions as set out in the 2020 Notes), and (ii) the Company will ensure the consolidated tangible net worth of the Group will not be less than HK\$1,000,000,000. The Company has complied with the covenant throughout the period from 29 September 2020 to 30 June 2021.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

24. Amount due to a director

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Mr. Lei Hong Wai	–	1,300

Amount due to a director is unsecured, non-interest bearing and repayable on demand.

On 28 August 2020, Mr. Lei Hong Wai, made a cash advance of HK\$1,300,000 to the Group for financing its short-term funding needs. On 26 January 2021, the Group repaid the cash advance to Mr. Lei Hong Wai.

25. Capital commitments

At the end of the reporting period, the Group had the following capital commitments which were contracted, but not provided for.

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Capital expenditures for the Subject Land	290,865	237,998
Renovation costs for the properties located in Hong Kong	–	290
	290,865	238,288

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

26. Equity-settled share-based payment transaction

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 12 December 2011 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 11 December 2021.

The table below discloses movement of the Scheme:

	Number of share options
Outstanding as at 1 January 2021	—
Granted during the period	171,760,000
Outstanding as at 30 June 2021	171,760,000
Weighted average exercise price	HK\$0.298

The closing price of the Company's shares immediately before 4 June 2021, the date of grant, was HK\$0.29.

In the current interim period, share options were granted on 4 June 2021. The fair value of the share options determined at the date of grant using the Binomial model were HK\$16,377,000.

The following assumptions were used to calculate the fair value of share options:

Grant date share price	HK\$0.295
Exercise price	HK\$0.298
Exercise period	4 June 2021 to 3 June 2024
Expected life	3 years
Expected volatility	53.28%
Expected dividend yield	0%
Risk-free interest rate	0.399%

The Binomial model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the independent valuer's best estimate. Changes in variables and assumptions may result in changes in the fair value of the share options.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

27. Material related party transactions

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following material related party transactions during the six months ended 30 June 2021 and 2020:

(a) Transactions with associates

Amounts due from/(to) associates

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Amount due from Elite Prosperous (Note)	38,437	38,437
Amount due to China Hong Kong Money	(1,966)	(1,966)

Note: The amount due from Elite Prosperous of HK\$38,437,000 is considered as long-term interest and forms part of the Group's net investment in Elite Prosperous.

The amounts due from/(to) associates do not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

Expenses paid/payable to and income received/receivable from associates

	For the six months ended 30 June 2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Advisory fee expenses from corporate finance paid/payable	370	—
Brokerage fees and related expenses paid/payable	47	50
Rental income received/receivable	2,144	2,548

The above transactions do not constitute connected transactions as defined in the Chapter 14A of the Listing Rules.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

27. Material related party transactions (Continued)

(b) Compensation of key management personnel

The remuneration of executive directors and the chief executive officer, who are key management, during the period was as follows:

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Short-term benefits	11,220	11,310
Post-employment benefits	36	36
Equity-settled share-based payments	1,571	—
	12,827	11,346

Total remuneration is included in “staff costs” (see note 10 to the condensed consolidated financial statements).

The remuneration of executive directors and the chief executive officer is approved by the Board on the recommendation of the Remuneration Committee of the Board having regard to the duties and responsibilities of individuals and market trends.

(c) Transactions with the directors and substantial shareholders of the Company

- (i) On 29 November 2018, Mr. Lei Hong Wai provided a personal guarantee to secure the Company’s repayment obligations under the loan of HK\$200,000,000 granted by the finance company to the Company. No consideration was paid by the Company to Mr. Lei Hong Wai for the provision of personal guarantee. No security over the assets of the Group was provided for the personal guarantee given by Mr. Lei Hong Wai.

At 30 June 2021, the provision of personal guarantee by Mr. Lei Hong Wai remains in full force and effect.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

27. Material related party transactions (Continued)

(c) Transactions with the directors and substantial shareholders of the Company (Continued)

- (ii) On 30 January 2020, 2 March 2020 and 8 April 2020, Mr. Cheung Kwok Fan, an executive director of the Company, made cash advances of HK\$600,000, HK\$400,000, and HK\$200,000 respectively to the Group for financing its short-term funding needs. The cash advances were non-interest bearing and unsecured. On 29 June 2020, the Group repaid the cash advances to Mr. Cheung Kwok Fan.
- (iii) On 9 March 2020, Mr. Lei Hong Wai provided a personal guarantee to secure the Group's repayment obligations under the securities margin financing facility of HK\$40,000,000 granted by a securities company to the Group. No consideration was paid by the Group to Mr. Lei Hong Wai for the provision of the personal guarantee. No security over the assets of the Group was provided for the personal guarantee given by Mr. Lei Hong Wai.

At 30 June 2021, the provision of personal guarantee by Mr. Lei Hong Wai remains in full force and effect.

- (iv) On 28 August 2020, Mr. Lei Hong Wai made a cash advance of HK\$1,300,000 to the Group for financing its short-term funding needs. The cash advance was non-interest bearing and unsecured. On 26 January 2021, the Group repaid the cash advance to Mr. Lei Hong Wai.
- (v) On 29 September 2020, each of Mr. Lei Hong Wai and Mr. Cheung Kwok Wai Elton provided a personal guarantee to guarantee the punctual performance by the Company's obligations under the 2020 Notes. No consideration was paid by the Company to Mr. Lei Hong Wai and/or Mr. Cheung Kwok Wai Elton for providing the personal guarantees. No security over the assets of the Group was provided for the personal guarantees given by Mr. Lei Hong Wai and/or Mr. Cheung Kwok Wai Elton.

At 30 June 2021, the provision of personal guarantees by Mr. Lei Hong Wai and Mr. Cheung Kwok Wai Elton remain in full force and effect.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

27. Material related party transactions (Continued)

(c) Transactions with the directors and substantial shareholders of the Company (Continued)

- (vi) On 22 October 2020, Mr. Lei Hong Wai provided a personal guarantee to secure the Group's repayment obligations under the securities margin financing facility of HK\$14,000,000 granted by a securities company to the Group. No consideration was paid by the Group to Mr. Lei Hong Wai for the provision of the personal guarantee. No security over the assets of the Group was provided for the personal guarantee given by Mr. Lei Hong Wai.

At 30 June 2021, the provision of personal guarantee by Mr. Lei Hong Wai remains in full force and effect.

All of the above transactions also constitute connected transactions as defined in Chapter 14A of the Listing Rules. However, these transactions are fully exempt from the connected transaction requirements in Chapter 14A of the Listing Rules under Rule 14A.90.

(d) Transactions with the directors of the subsidiaries of the Company

On 20 August 2018, 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, as lender entered into a loan agreement with Mr. Guan Jialin, a director of certain subsidiaries of the Group, as borrower, and Ms. Hao Yuhui, the spouse of Mr. Guan Jialin, as guarantor relating to grant a loan in the principal amount of RMB25,000,000 (equivalent to HK\$28,532,000) to Mr. Guan Jialin for a term of 24 months commencing from 24 August 2018. The loan is interest bearing at 9.00% per annum, secured by a real estate mortgage over a residential property located in Beijing, the PRC owned by Ms. Hao Yuhui (the "**Property**") and maturing on 23 August 2020. The terms of the loan agreement were negotiated on an arm's length basis between Bayhood No. 9 Co. and Mr. Guan Jialin with reference to terms and conditions of the loan agreements entered into between the Group and its money lending customers.

On 20 September 2018, Bayhood No. 9 Co., Mr. Guan Jialin and Ms. Hao Yuhui entered into a supplemental agreement relating to the amendment of the condition precedent of the loan agreement dated 20 August 2018. Pursuant to which, the loan agreement is conditional upon the real estate mortgage over the Property having been duly registered with 北京市順義區房屋管理局 (Real Estate Bureau of Beijing Shunyi District) (the "**Real Estate Bureau**") by Mr. Yuan Huixia (as agent of Bayhood No. 9 Co.), a then director and legal representative of a wholly-owned subsidiary of the Company, and Ms. Hao Yuhui.

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 30 June 2021

27. Material related party transactions *(Continued)*

(d) Transactions with the directors of the subsidiaries of the Company *(Continued)*

Concurrently, on 20 September 2018, Mr. Yuan Huixia executed an irrevocable undertaking in favour of Bayhood No. 9 Co., pursuant to which:

- (i) Mr. Yuan Huixia shall, on behalf of Bayhood No. 9 Co. and together with Ms. Hao Yuhui, register the real estate mortgage over the Property with the Real Estate Bureau;
- (ii) in the event that Mr. Guan Jialin does not repay the loan in accordance with the loan agreement, Mr. Yuan Huixia shall sell the Property on the instruction of Bayhood No. 9 Co. and transfer the proceeds in full to Bayhood No. 9 Co.;
- (iii) in the event that Bayhood No. 9 Co. proposes to change the mortgagee of the mortgage over the Property or terminate the mortgage, Mr. Yuan Huixia shall execute all necessary documents on the instruction of Bayhood No. 9 Co. to effect such change or termination; and
- (iv) unless on the instruction of Bayhood No. 9 Co., Mr. Yuan Huixia shall not change the mortgagee of the mortgage over the Property, terminate the mortgage, or sell the Property.

As each of Mr. Guan Jialin, Ms. Hao Yuhui and Mr. Yuan Huixia was a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules as at the date of the loan agreement, the entering into of the loan agreement (as supplemented by the supplemental agreement with the undertaking) constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The directors (including all the independent non-executive directors) confirmed that the terms of the loan agreement (as supplemented by the supplemental agreement with the undertaking) were fair and reasonable, the transactions contemplated thereunder were on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

27. Material related party transactions (Continued)

(d) Transactions with the directors of the subsidiaries of the Company (Continued)

The loan agreement became unconditional on 26 September 2018 and the drawdown of the loan was made on 29 September 2018.

On 2 June 2020, Mr. Guan Jialin repaid the loan of RMB25,000,000 (equivalent to HK\$27,178,000) together with the accrued interest thereon of RMB599,000 (equivalent to HK\$651,000).

The directors confirm that the above transactions have complied with the connected transaction requirements in Chapter 14A of the Listing Rules.

28. Fair value measurements of financial instruments

(a) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Board has appointed the Finance and Accounting Department, which is headed up by an executive director, to determine the appropriate valuation techniques and inputs for fair value measurements.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

28. Fair value measurements of financial instruments (Continued)

(a) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (Continued)

Fair value hierarchy (Continued)

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent third party qualified valuers to perform valuation. The Finance and Accounting Department works closely with the independent third party qualified valuers to establish the appropriate valuation techniques and inputs to the model. The executive director who is responsible for the Group's finance and accounting function reports the Finance and Accounting Department's findings to the Board twice a year to explain the cause of fluctuations in the fair value of the assets and liabilities.

	Fair value measurements categorised into								Total	
	Level 1		Level 2		Level 3					
	At	At	At	At	At	At	At	At	At	At
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Financial assets										
Financial assets at FVTPL										
– listed equity securities in Hong Kong	256,961	405,772	–	–	–	4,623	256,961	410,395		

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

28. Fair value measurements of financial instruments (Continued)

(a) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (Continued)

Fair value hierarchy (Continued)

	Fair value at 30 June 2021 HK\$'000 (Unaudited)	Fair value at 31 December 2020 HK\$'000 (Audited)	Fair value hierarchy	Valuation techniques and key inputs
Financial assets				
Financial assets at FVTPL				
– listed equity securities in Hong Kong	256,961	405,772	Level 1	Quoted closing prices in active markets
– listed equity securities in Hong Kong	–	4,623	Level 3	Significant unobservable inputs

During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into Level 3. On 1 March 2021, the Group transferred the listed equity securities with an aggregate fair value of HK\$4,623,000 from Level 3 to Level 1 as the trading in the listed equity securities were permitted to recommence on the Exchange on that date. Therefore, the fair value of the listed equity securities as at 30 June 2021 was determined based on a published price quotation available on the Exchange.

During the six months ended 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the date of the events or change in circumstances that cause the transfer.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

28. Fair value measurements of financial instruments (Continued)

(a) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (Continued)

Information about Level 3 fair value measurements

	Valuation technique	Significant unobservable inputs	Relation of significant unobservable inputs to fair value
At 31 December 2020			
Financial assets at FVTPL	Market approach	Holdings return basis of negative 56.29%	The holding return basis is positively correlated to the fair value measurement
– listed equity securities in Hong Kong		Price-to-earning basis of 13.09%	The price-to-earning basis is positively correlated to the fair value measurement
		Discount rate of 72.36%	The discount rate is negatively correlated to the fair value measurement

One of the Group's listed equity securities in Hong Kong classified as financial assets at FVTPL has been suspended from trading since 27 November 2017 and no unadjusted quoted prices in active markets are available. The fair value of the suspended listed equity securities at 31 December 2020 was measured by Graval Consulting Limited, an independent firm of qualified valuers, using a valuation technique with significant unobservable inputs and hence was classified under Level 3 of the fair value hierarchy. On 1 March 2021, the trading in the listed equity securities were permitted to recommence on the Exchange and hence was transferred from Level 3 to Level 1 of the fair value hierarchy.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

28. Fair value measurements of financial instruments (Continued)

(a) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (Continued)

Information about Level 3 fair value measurements (Continued)

The movements in the balance of the Level 3 fair value measurement are as follows:

	HK\$'000
At 1 January 2020	7,103
Loss arising on change in fair value of financial assets at FVTPL	(2,480)
At 31 December 2020 (audited) and 1 January 2021	4,623
Transfer to Level 1	(4,623)
At 30 June 2021 (unaudited)	—

(b) Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values at 30 June 2021 and 31 December 2020, except for the secured notes, which had a carrying amount and fair value of HK\$225,000,000 (31 December 2020: HK\$250,000,000) and HK\$231,770,000 (31 December 2020: HK\$258,868,000) at 30 June 2021 respectively.

The fair value measurement of the secured notes is categorised into Level 3 of fair value hierarchy. The fair value of the secured notes is determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the return required by the holder for investing in similar financial instruments.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

29. 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 Bayhood No. 9 Co. for an unsettled legal fee of RMB31,000,000 (equivalent to HK\$37,256,000) (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.

Save as disclosed above, the Group did not have any material contingent liabilities at 30 June 2021.

30. Events after the end of the reporting period

On 23 July 2021, the Group acquired 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.

31. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue by the Board on 27 August 2021.

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.

Management Discussion and Analysis (Continued)

Financial Review (Continued)

Results of operations (Continued)

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.

Management Discussion and Analysis (Continued)

Financial Review (Continued)

Results of operations (Continued)

- (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.

Management Discussion and Analysis *(Continued)*

Financial Review *(Continued)*

Results of operations *(Continued)*

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).

Management Discussion and Analysis (Continued)

Financial Review (Continued)

Liquidity and financial resources (Continued)

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;

Management Discussion and Analysis (Continued)

Financial Review (Continued)

Liquidity and financial resources (Continued)

- (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.

Management Discussion and Analysis (Continued)

Financial Review (Continued)

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

Management Discussion and Analysis (Continued)

Financial Review (Continued)

Pledge of assets (Continued)

- (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.

Management Discussion and Analysis (Continued)

Financial Review (Continued)

Contingent liabilities (Continued)

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 HK\$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.

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Sale of financial assets business (Continued)

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

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Sale of financial assets business (Continued)

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 HK\$'000	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 HK\$'000	Gain/(loss) arising on change in fair value recognised in the six months ended 30 June 2021
					HK\$'000
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)
		256,961		—	(62,269)
Name of Hong Kong unlisted securities					
Hsin Chong Group Holdings Ltd.	90,000,000	—	0.00%	—	—
		—		—	—
		256,961		—	(62,269)

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Sale of financial assets business (Continued)

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.

Management Discussion and Analysis *(Continued)*

Operations Review *(Continued)*

Money lending business *(Continued)*

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.

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Money lending business (Continued)

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).

Management Discussion and Analysis (Continued)

Operations Review (Continued)

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).

Management Discussion and Analysis (Continued)

Operations Review (Continued)

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.

Management Discussion and Analysis *(Continued)*

Operations Review *(Continued)*

Property investment business *(Continued)*

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.

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Property investment business (Continued)

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.

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Investments in associates (Continued)

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.

Management Discussion and Analysis (Continued)

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.

Additional Information Required by the Listing Rules

Interim Dividend

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

Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures

At 30 June 2021, the interests of the directors and the chief executive and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

- a. Ordinary shares of HK\$0.01 each of the Company

Name of director	Notes	Number of ordinary shares held and capacity			Percentage of the issued share capital of the Company
		Beneficial owner	Held by controlled corporations	Total	
Mr. Lei Hong Wai	1 and 2	408,740,000	583,832,803	992,572,803	25.99%
Mr. Cheung Kwok Wai Elton	1 and 2	—	583,832,803	583,832,803	15.29%
Mr. Chan Kin Wah Billy		6,319,500	—	6,319,500	0.17%

Notes:

1. Twin Success International Limited ("**Twin Success**") beneficially owns 583,832,803 ordinary shares of the Company.

Twin Success is owned as to 50% by Silver Pacific International Limited and as to 50% by Silver Pacific Development Limited. Silver Pacific International Limited is wholly owned by Mr. Lei Hong Wai. Silver Pacific Development Limited is owned as to 50% by Mr. Cheung Kwok Wai Elton and as to 50% by Mr. Guan Jian.

Additional Information Required by the Listing Rules (Continued)

Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures (Continued)

Long positions (Continued)

a. Ordinary shares of HK\$0.01 each of the Company (Continued)

Notes: (Continued)

2. On 5 June 2018, Twin Success pledged its 583,832,803 ordinary shares of the Company in favour of Kingston Finance Limited as security for a loan facility.

b. Share options of the Company

Name of director	Capacity	Number of share options held	Number of underlying shares
Mr. Lei Hong Wai	Beneficial owner	3,800,000	3,800,000
Mr. Cheung Kwok Wai Elton	Beneficial owner	3,800,000	3,800,000
Mr. Cheung Kwok Fan	Beneficial owner	3,800,000	3,800,000
Mr. Chan Kin Wah Billy	Beneficial owner	3,800,000	3,800,000

c. Ordinary shares of HK\$1.00 each of China Healthwise Holdings Limited, a 20.90% owned associate of the Company

Name of director	Capacity	Number of ordinary shares held	Percentage of the issued share capital of China Healthwise Holdings Limited
Mr. Lei Hong Wai	Beneficial owner	57,463,636	7.46%

Other than as disclosed above, none of the directors, chief executive nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2021.

Additional Information Required by the Listing Rules (Continued)

Share Option Scheme

Pursuant to an ordinary resolution passed by the shareholders on 12 December 2011, the Company adopted a new share option scheme to replace the share option scheme adopted on 21 January 2002. The principal terms of the share option scheme were disclosed in the Company's 2020 annual report. Details of movements in the Company's share options during the six months ended 30 June 2021 are set out as follows:

	Share options type	Number of share options					Outstanding at 30 June 2021
		Outstanding at 1 January 2021	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Directors and chief executive							
Mr. Lei Hong Wai	2021	–	3,800,000	–	–	–	3,800,000
Mr. Cheung Kwok Wai Elton	2021	–	3,800,000	–	–	–	3,800,000
Mr. Cheung Kwok Fan	2021	–	3,800,000	–	–	–	3,800,000
Mr. Chan Kin Wah Billy	2021	–	3,800,000	–	–	–	3,800,000
Total directors and chief executive		–	15,200,000	–	–	–	15,200,000
Employees							
	2021	–	156,560,000	–	–	–	156,560,000
Total employees	2021	–	156,560,000	–	–	–	156,560,000
Total		–	171,760,000	–	–	–	171,760,000
Exercisable at the end of period							<u>171,760,000</u>
Weighted average exercise price		–	HK\$0.298	–	–	–	HK\$0.298

Details of specific categories of share options are as follows:

Share options type	Date of grant	Exercise period	Exercise price
2021	4 June 2021	4 June 2021 to 3 June 2024	HK\$0.298

The closing price of the Company's share immediately before 4 June 2021, the date of grant, was HK\$0.29.

Additional Information Required by the Listing Rules (Continued)

Substantial Shareholders

At 30 June 2021, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

a. Ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Notes	Number of ordinary shares held and capacity			Total	Percentage of the issued share capital of the Company
		Beneficial owner	Person having a security interest in shares	Held by controlled corporations		
Twin Success	1 and 4	583,832,803	—	—	583,832,803	15.29%
Silver Pacific International Limited	1, 2 and 4	—	—	583,832,803	583,832,803	15.29%
Silver Pacific Development Limited	1, 3 and 4	—	—	583,832,803	583,832,803	15.29%
Mr. Lei Hong Wai	1, 2 and 4	408,740,000	—	583,832,803	992,572,803	25.99%
Mr. Cheung Kwok Wai Elton	1, 3 and 4	—	—	583,832,803	583,832,803	15.29%
Mr. Guan Jian	1, 3 and 4	—	—	583,832,803	583,832,803	15.29%
Kingston Finance Limited	4 and 5	—	583,832,803	—	583,832,803	15.28%
Ample Cheer Limited	5	—	—	583,832,803	583,832,803	15.28%
Best Forth Limited	5	—	—	583,832,803	583,832,803	15.28%
Ms. Chu Yuet Wah	5 and 6	—	—	583,832,815	583,832,815	15.28%
TangD Co., Ltd.	7	950,000,000	—	—	950,000,000	24.87%
Mr. Ma Kai	7	—	—	950,000,000	950,000,000	24.87%
Mr. Zhang Han Qing	7	—	—	950,000,000	950,000,000	24.87%

Additional Information Required by the Listing Rules (Continued)

Substantial Shareholders (Continued)

Long positions (Continued)

a. Ordinary shares of HK\$0.01 each of the Company (Continued)

Notes:

1. Twin Success is owned as to 50% by Silver Pacific International Limited and as to 50% by Silver Pacific Development Limited.
2. Silver Pacific International Limited is wholly owned by Mr. Lei Hong Wai.
3. Silver Pacific Development Limited is owned as to 50% by Mr. Cheung Kwok Wai Elton and as to 50% by Mr. Guan Jian.
4. On 5 June 2018, Twin Success pledged its 583,832,803 ordinary shares of the Company in favour of Kingston Finance Limited as security for a loan facility.
5. Kingston Finance Limited is a wholly-owned subsidiary of Ample Cheer Limited, which is owned as to 80% by Best Forth Limited and as to 20% by Insight Glory Limited. Ms. Chu Yuet Wah owns 100% interest in Best Forth Limited and Insight Glory Limited.
6. Out of the 583,832,815 ordinary shares of the Company, 12 ordinary shares are interested by Kingston Securities Limited. Kingston Securities Limited is a wholly-owned subsidiary of Galaxy Sky Investments Limited, which is wholly owned by Kingston Capital Asia Limited. Kingston Capital Asia Limited is wholly owned by Kingston Financial Group Limited. Active Dynamic Limited owns 49.19% interest in Kingston Financial Group Limited. Ms. Chu Yuet Wah owns 100% interest in Active Dynamic Limited.
7. TangD Co., Ltd. is owned as to 60.42% by Mr. Ma Kai and as to 24.69% by Mr. Zhang Han Qing.

b. Share options of the Company

Name of shareholder	Capacity	Number of share options held	Number of underlying shares
Mr. Lei Hong Wai	Beneficial owner	3,800,000	3,800,000
Mr. Cheung Kwok Wai Elton	Beneficial owner	3,800,000	3,800,000

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company at 30 June 2021.

Additional Information Required by the Listing Rules *(Continued)*

Purchase, Redemption or 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.

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.

Additional Information Required by the Listing Rules *(Continued)*

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.

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.

Acknowledgement

On behalf of the Board, I would like to express my gratitude and appreciation to my fellow directors, the management and staff for their dedication, loyalty and contribution. In addition, I would like to thank our shareholders for their continuous support.

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

Hong Kong, 27 August 2021