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ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

SUPPLEMENTAL ANNOUNCEMENT ON THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Reference is made to the annual report (the “**Annual Report 2022**”) of Eternity Investment Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2022. Unless otherwise defined herein, terms used in this announcement shall have the same meanings as those defined in the Annual Report 2022.

In addition to the information regarding credit risk and ECL (expected credit losses) assessment on loan receivables as disclosed in note 54(c) to the consolidated financial statements on pages 348 to 371 of the Annual Report 2022, the Board would like to provide the shareholders and potential investors of the Company with the following additional information in relation to the collateral and/or guarantee obtained, if any, in respect of the loan receivables as at 31 December 2022 and an update on the steps taken by the Group to recover the overdue loan receivables:

	Loan and interest receivables (before accumulated allowance for ECL) as at 31 December 2022 HK\$'000	Accumulated allowance for ECL as at 1 January 2022 HK\$'000	Reversal of allowance/ (allowance) for ECL recognised for the year ended 31 December 2022 HK\$'000	Loan and interest receivables (after accumulated allowance for ECL) as at 31 December 2022 HK\$'000	Interest rate per annum	Collateral and/or guarantee obtained	Maturing on
Stage 1 (initial recognition)							
Customer A (Note 2)	56,494	(1,580)	1,425	56,339	(Note 1)	Yes	9 November 2024
Customer A (Note 2)	65,782	(1,730)	1,549	65,601	(Note 1)	Yes	9 November 2024
Customer A	–	(1,067)	1,067	–			
Customer A	–	(85)	85	–			
Customer A (Note 2)	91,064	(663)	411	90,812	(Note 1)	Yes	9 November 2024
Customer E	26,844	(591)	23	26,276	9.00%	No	14 July 2024
Customer G	23,011	(586)	119	22,544	12.00%	No	14 July 2024
Customer O	10,232	(278)	51	10,005	13.00%	No	27 April 2023
One ex-customer	–	(81)	81	–			
Sub-total:	273,427	(6,661)	4,811	271,577			
Stage 2 (significant increase in credit risk)							
Customer L (Note 3)	44,436	(1,509)	(12,445)	30,482	12.00%	No	17 May 2023
Customer N (Note 4)	18,001	(68)	(690)	17,243	20.00%	Yes	15 February 2023
Sub-total:	62,437	(1,577)	(13,135)	47,725			
Stage 3 (credit impaired)							
Customer D (Note 5)	138,355	(85,112)	(252)	52,991	8.00%	Yes	6 February 2022
Customer D (Note 5)	103,854	(62,165)	(1,913)	39,776	8.00%	Yes	24 May 2023
Customer I (Note 6)	102,033	(102,033)	–	–	15.00%	Yes	11 November 2021
Customer J (Note 7)	9,225	–	(9,225)	–	12.00%	Yes	14 July 2020
Customer H (Note 8)	148,458	(93,677)	(54,781)	–	8.00%	No	15 November 2021
Customer F (Note 9)	196,214	(103,455)	(92,759)	–	13.00%	Yes	5 November 2022
Sub-total:	698,139	(446,442)	(158,930)	92,767			
Total:	1,034,003	(454,680)	(167,254)	412,069			

Notes:

1. The interest rate for these loans is the Best Lending Rate for Hong Kong dollar quoted by The Hongkong and Shanghai Banking Corporation Limited plus 3% per annum.
2. The loans are secured by a corporate guarantee provided by a company incorporated in Hong Kong with limited liability (“**Customer A Guarantor**”) in favour of the Group. Customer A Guarantor is wholly owned by Customer A and engaged in the columbarium business in Hong Kong.
3. Customer L failed to repay the outstanding principal amount of the loan and the accrued and unpaid interest thereon on 17 May 2023. The Group is currently negotiating with Customer L with a view to entering into a binding settlement agreement. As at the date of this announcement, the negotiation is still ongoing.
4. The loan is secured by a share charge over 100% issued shares in a company incorporated in Hong Kong with limited liability (the “**Pledged Company**”) in favour of the Group. The Pledged Company is wholly owned by a company established in Mainland China with limited liability, which is 60.90% owned by Customer N, and is engaged in investment holdings and security service provision.

Customer N failed to repay the outstanding principal amount of the loan and the accrued and unpaid interest thereon on 15 February 2023. The Group is currently negotiating with Customer N with a view to entering into a binding settlement agreement. As at the date of this announcement, the negotiation is still ongoing.

5. The loans are secured by a corporate guarantee provided by a company incorporated in the British Virgin Islands with limited liability (“**Customer D Guarantor**”) in favour of the Group. Customer D Guarantor is wholly owned by Customer D, and is a substantial shareholder holding 14.36% of the issued share capital of a Hong Kong listed company.

The Group has been in negotiation with Customer D on the repayment of the loans in the aggregate outstanding principal amount of HK\$234,293,000 with a view to entering into a binding settlement agreement. In March 2023, the Group instructed its legal adviser to send demand letters to Customer D and Customer D Guarantor demanding their immediate settlement. In July 2023, the Group received a reply from Customer D proposing to repay the outstanding principal amount of the two loans and the accrued interest in installments. In response to the reply, the Group is trying to contact Customer D to counter-propose a shorter repayment schedule and request Customer D to finalise the settlement proposal in accordance with the Group’s proposed terms.

6. The loan is secured by two corporate guarantees provided by a company incorporated in Hong Kong with limited liability (“**Customer I First Guarantor**”) and a company incorporated in the British Virgin Islands with limited liability (“**Customer I Second Guarantor**”, together with Customer I First Guarantor, “**Customer I Guarantors**”) in favour of the Group. Customer I First Guarantor is owned as to 50% by Customer I, and was a controlling shareholder holding 45.45% of the issued share capital of a Hong Kong listed company as at 11 November 2019. Customer I Second Guarantor is wholly owned by Customer I and is an investment company.

In September 2021, Customer I procured Customer I Second Guarantor to enter into an agreement (the “**Debt Assignment Agreement**”) to assign a debt in the face value of HK\$117,000,000 owned by Customer I Second Guarantor (the “**Assigned Debt**”) to the Group to enable the Group to demand payment and liquidate the Assigned Debt and to apply the proceeds, if any, from the recovery of the Assigned Debt to offset the loan due by Customer I. After establishing dialogues with the representative of the debtor of the Assigned Debt, the Group decided to abort the recovery action on the Assigned Debt and revert to pursuing Customer I and Customer I Guarantors on the original loan due by Customer I. In August 2022, the Group terminated the Debt Assignment Agreement. On 31 October 2022, the Group issued writ of summons and statement of claim against Customer I and Customer I Guarantors seeking to recover the outstanding principal amount of the original loan together with the accrued and unpaid interest thereon. Subsequently, the Group was notified by its legal adviser that the writ of summons and the statement of claim delivered to Customer I and Customer I Guarantors were returned to the Group’s legal adviser and could not be served personally on them. The Group’s legal adviser is currently applying to the High Court of Hong Kong for an order for substituted service for serving the writ of summons and the statement of claim against Customer I and Customer I Guarantors.

7. The loan is secured by a corporate guarantee provided by a property investment company established in Mainland China with limited liability (“**Customer J Guarantor**”) in favour of the Group. Customer J Guarantor is owned as to 80% by Customer J and is engaged in property investment business in Guangzhou, Mainland China.

The Group has commenced civil proceedings in Mainland China against Customer J, Customer J Guarantor, and the shareholders of Customer J Guarantor for recovering the outstanding principal amount of HK\$25,000,000 together with the accrued and unpaid interest thereon. The first hearing of the civil proceedings took place on 17 March 2022. On 21 March 2022, the court handed down the first instance judgement ordering, among others, Customer J to repay the outstanding principal amount of the loan of HK\$25,000,000, the unpaid interest of HK\$748,000, and the default interest to the Group within ten days from the effective date of the first instance judgement and ordering Customer J Guarantor to guarantee the above payment obligations of Customer J. On 15 June 2022, the Group received a notice from the court that a civil appeal was lodged by Customer J in respect of the first instance judgment. As advised by the Group’s legal adviser, the case had been transferred from the first instance court to the appellate court, and the hearing of the civil appeal lodged by Customer J was scheduled to be held on 12 September 2023.

8. In March 2021, the Group engaged a legal adviser to commence civil proceedings in Mainland China against Customer H for recovering the loan in the outstanding principal amount of HK\$137,617,000 together with the accrued and unpaid interest thereon. In November 2021, the Group obtained an asset preservation order from the court to freeze certain assets of Customer H in Mainland China with an aggregate value of RMB126,180,000 (equivalent to HK\$136,855,000). The first court hearing was held on 16 May 2022, when Customer H challenged the authenticity of his signature on the loan agreement. The court engaged an expert to verify Customer H’s signature, and retrieved Customer H’s signatures on documents maintained by various administrative departments in Mainland China to verify the authenticity of his signatures. The second court hearing was held on 13 March 2023, and the first instance judgement was handed down on 24 July 2023 ordering Customer H to repay the outstanding principal amount of the loan and the accrued and unpaid interest thereon to the Group within 30 days from the effective date of the first instance judgement. If Customer H does not repay the outstanding principal amount of the loan and the accrued and unpaid interest to the Group in accordance with the first instance judgment, the Group intends to seek advice from its legal adviser to explore the prospect of applying for compulsory enforcement on the asset preservation order over certain assets of Customer H in Mainland China.

9. On 7 September 2021, the Group obtained a corporate guarantee provided by a private company owned by Customer F and her spouse (“**Customer F Guarantor**”) to secure all of Customer F’s obligations of the loan of HK\$165,000,000 under the loan agreement. The major assets of Customer F Guarantor include 150,000 participating shares in a closed-end private fund (the “**Fund Interests**”) and a commercial property located in Mainland China (the “**Property of Customer F Guarantor**”). On the same date, the Group also obtained a share charge over the entire issued share capital of Customer F Guarantor and a share pledge over the Fund Interests as collateral for the loan. On 16 September 2021, Customer F Guarantor entered into another guarantee contract in favour of the Group, pursuant to which Customer F Guarantor, on top of the corporate guarantee already given, further designated the Property of Customer F Guarantor as collateral to fortify the repayment obligations of Customer F in respect of the loan of HK\$165,000,000. In October 2021, the Group engaged a legal adviser to commence civil proceedings in Mainland China with the view to enforcing the guarantee given by Customer F Guarantor and demanding Customer F Guarantor repay the loan owed by Customer F. In February 2023, the court handed down the arbitral award ordering Customer F Guarantor to pay the Group the loan of HK\$165,000,000 together with the outstanding interest plus the accrued interest up to and until the payment date. In June 2023, the Group instructed its legal adviser to make an application for compulsory enforcement to the court in Mainland China for enforcing directly on the Property of Customer F Guarantor. The application for compulsory enforcement is pending review by the court. In the meantime, the Group is seeking advice from its legal adviser to commence concurrent legal proceedings against Customer F in Hong Kong to recover the outstanding principal amount of the loan receivable and the accrued and unpaid interest. In August 2023, the Group instructed its legal adviser to send demand letters to Customer F demanding her immediate settlement.

The above additional information does not affect other information contained in the Annual Report 2022 and the other contents of the Annual Report 2022 remain unchanged.

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

Hong Kong, 22 September 2023

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