ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

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2020
INTERIM REPORT

Contents

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.eternityinv.com.hk

Email Address

billy@eternityinv.com.hk

Condensed Consolidated Statement of Profit or Loss

	Notes	For the six months ended 30 June **2020** ***HK$'000*** **(Unaudited)**	 2019 *HK$'000* (Unaudited)
Revenue	*5*	**87,102**	91,085
Cost of sales		**(37,763)**	(31,430)
Gross profit		**49,339**	59,655
Investment and other income	*6*	**1,694**	1,995
Other gains and losses	*7*	**(9,275)**	(70,342)
Selling and distribution expenses		**(1,988)**	(2,473)
Administrative expenses		**(183,012)**	(45,659)
Share of results of associates		**(63,856)**	(27,546)
Loss from operations		**(207,098)**	(84,370)
Finance costs	*8*	**(24,844)**	(24,261)
Loss before taxation		**(231,942)**	(108,631)
Income tax credit/(expense)	*9*	**22,976**	(1,480)
Loss for the period	*10*	**(208,966)**	(110,111)
Loss for the period attributable to:			
Owners of the Company		**(208,757)**	(107,958)
Non-controlling interests		**(209)**	(2,153)
		(208,966)	(110,111)
Interim dividend	*11*	**—**	—
Loss per share	*12*		
Basic and diluted *(Hong Kong cents)*		**(5.47)**	(2.83)

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	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(208,966)**	(110,111)
Other comprehensive (expense)/income:		
Item that will not be reclassified to profit or loss:		
Share of other comprehensive income of an associate	**–**	220
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations	**(22,194)**	(4,455)
Share of other comprehensive expense of associates	**(725)**	–
Other comprehensive expense for the period, net of income tax	**(22,919)**	(4,235)
Total comprehensive expense for the period	**(231,885)**	(114,346)
Total comprehensive expense for the period attributable to:		
Owners of the Company	**(231,783)**	(112,243)
Non-controlling interests	**(102)**	(2,103)
	(231,885)	(114,346)

Condensed Consolidated Statement of Financial Position

	Notes	At 30 June 2020 HK$'000 (Unaudited)	At 31 December 2019 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	**480,265**	496,171
Right-of-use assets	*14*	**218,734**	226,164
Investment properties	*15*	**133,500**	159,200
Intangible assets		**804,051**	829,696
Goodwill		**267,057**	272,324
Interests in associates	*16*	**208,753**	272,151
Deferred tax assets		**38,740**	15,974
Prepayments and other receivables		**24,383**	201
Loan receivables	*18*	**274,812**	480,534
		2,450,295	2,752,415
Current assets			
Inventories		**32,764**	36,515
Properties under development	*17*	**30,171**	—
Loan receivables	*18*	**578,298**	497,516
Trade receivables	*19*	**29,508**	39,864
Deposits, prepayments and other receivables		**118,259**	126,738
Financial assets at fair value through profit or loss		**281,601**	240,815
Tax recoverable		**243**	243
Cash and cash equivalents		**111,692**	140,550
		1,182,536	1,082,241
Total assets		**3,632,831**	3,834,656
EQUITY			
Share capital	*20*	**38,196**	38,196
Reserves		**2,153,659**	2,385,735
Equity attributable to owners of the Company		**2,191,855**	2,423,931
Non-controlling interests		**(5,577)**	(5,475)
Total equity		**2,186,278**	2,418,456

Condensed Consolidated Statement of Financial Position *(Continued)*

	Notes	At 30 June 2020 HK$'000 (Unaudited)	At 31 December 2019 HK$'000 (Audited)
LIABILITIES			
Current liabilities			
Trade payables	*21*	**8,286**	5,510
Deposits received, accruals and other payables		**109,959**	98,548
Receipts in advance		**19,585**	21,024
Tax payables		**86,533**	88,695
Bank borrowings	*22*	**155,778**	155,720
Other borrowings	*23*	**229,875**	200,000
Lease liabilities		**861**	742
Secured notes	*24*	**299,963**	299,841
Amount due to an associate		**1,967**	1,967
Amount due to a director	*25*	**—**	—
		912,807	872,047
Non-current liabilities			
Deposit received and other payables		**53,763**	53,561
Lease liabilities		**253,024**	258,509
Deferred tax liabilities		**226,959**	232,083
		533,746	544,153
Total liabilities		**1,446,553**	1,416,200
Total equity and liabilities		**3,632,831**	3,834,656
Net current assets		**269,729**	210,194
Total assets less current liabilities		**2,720,024**	2,962,609

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 2020

	Attributable to owners of the Company										
	Share capital HK$'000 (Unaudited)	Share premium HK$'000 (Unaudited)	Capital reserve HK$'000 (Unaudited)	Contributed surplus HK$'000 (Unaudited)	Other reserve HK$'000 (Unaudited)	Equity-settled share-based payment reserve HK$'000 (Unaudited)	Exchange reserve HK$'000 (Unaudited)	Retained profits HK$'000 (Unaudited)	Sub-total HK$'000 (Unaudited)	Non-controlling interests HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
At 1 January 2019	38,196	1,807,051	17,761	404,663	20,228	9,063	(78,602)	437,344	2,655,704	(2,626)	2,653,078
Loss for the period	–	–	–	–	–	–	–	(107,958)	(107,958)	(2,153)	(110,111)
Other comprehensive income/(expense) for the period											
Share of other comprehensive income of an associate	–	–	–	–	–	–	220	–	220	–	220
Exchange differences arising on translating foreign operations	–	–	–	–	–	–	(4,505)	–	(4,505)	50	(4,455)
Total comprehensive expense for the period	–	–	–	–	–	–	(4,285)	(107,958)	(112,243)	(2,103)	(114,346)
Release on lapse of equity-settled share-based payment	–	–	–	–	–	(9,063)	–	9,063	–	–	–
At 30 June 2019 (Unaudited)	38,196	1,807,051	17,761	404,663	20,228	–	(82,887)	338,449	2,543,461	(4,729)	2,538,732
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 income/(expense) 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 (Unaudited)	**38,196**	**1,807,051**	**17,761**	**404,663**	**19,935**	**-**	**(124,253)**	**28,502**	**2,191,855**	**(5,577)**	**2,186,278**

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	**(29,011)**	(9,541)
Net cash used in operating activities	**(29,011)**	(9,541)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment in an associate	**(1,477)**	—
Purchase of property, plant and equipment	**(703)**	(14,715)
Net cash inflow arising on other investing activities	**1,489**	628
Net cash used in investing activities	**(691)**	(14,087)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from a director	**1,200**	25,000
Advance from a shareholder	**—**	7,200
Advance from an associate	**—**	1,967
Interest paid	**(24,760)**	(27,916)
Proceeds from bank borrowings	**40,226**	15,440
Proceeds from other borrowings	**29,875**	200,000
Repayment of bank borrowings	**(40,168)**	(17,671)
Repayment of other borrowings	**—**	(200,000)
Repayment of lease liabilities	**(364)**	(221)
Repayment to a director	**(1,200)**	(75,000)
Repayment to a shareholder	**—**	(7,200)
Net cash generated from/(used in) financing activities	**4,809**	(78,401)

Condensed Consolidated Statement of Cash Flows *(Continued)*

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net decrease in cash and cash equivalents	**(24,893)**	(102,029)
Cash and cash equivalents at the beginning of the reporting period	**140,550**	140,628
Effect of foreign exchange rate changes	**(3,965)**	1,953
Cash and cash equivalents at the end of the reporting period	**111,692**	40,552

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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 2020 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 2019. Except as described in note 3 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 2019.

2. Impacts of the novel coronavirus in the current interim period

The outbreak of novel coronavirus and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the Group's operations. The financial positions and performance of the Group were affected in different aspects, including a significant increase in allowance for credit losses on the Group's trade and loan receivables and an increase in loss arising on change in the fair value of the Group's investment properties as disclosed in the section headed "Operations Review" under "Management Discussion and Analysis" below.

3. 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**") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's audited consolidated financial statements for the year ended 31 December 2019.

3. Principal accounting policies *(Continued)*

Application of amendments to HKFRSs

In the current interim period, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current interim period had no material impact on the Group's financial positions and performance for the current and prior interim periods and/or on the disclosures set out in the condensed consolidated financial statements.

Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "Investment and other income".

Properties under development

The costs of properties under development comprises specifically identified costs including the aggregate cost of development, material and supplies, wages, other direct expenses and an appropriate proportion of overheads. Net realisable value is determined by reference to the sale proceeds of properties sold in ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

4. 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 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)

4. Operating segments *(Continued)*

Segment revenue and results *(Continued)*

For the six months ended 30 June 2019

	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	12,970	(2,711)	52,362	28,464	91,085
Segment (loss)/profit	(39,383)	(59,710)	44,522	(630)	(55,201)
Interest income on bank deposits					33
Unallocated corporate expenses					(1,656)
Finance costs					(24,261)
Share of results of associates					(27,546)
Loss before taxation					(108,631)
Income tax expense					(1,480)
Loss for the period					(110,111)

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, finance costs, and income tax credit/(expense). This is the measure reported to the Chairman of the Board for the purposes of resource allocation and assessment of segment performance.

4. Operating segments *(Continued)*

Segment assets and liabilities

At 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 assets					
– Hong Kong	370,081	303,309	901,673	60,521	1,635,584
– The People's Republic of China (the "**PRC**")	1,786,097	–	–	–	1,786,097
	2,156,178	303,309	901,673	60,521	3,421,681
Unallocated corporate assets					211,150
Consolidated total assets					3,632,831
Segment liabilities					
– Hong Kong	(117,274)	(41,990)	(5,497)	(42,979)	(207,740)
– The PRC	(697,673)	–	–	–	(697,673)
	(814,947)	(41,990)	(5,497)	(42,979)	(905,413)
Unallocated corporate liabilities					(541,140)
Consolidated total liabilities					(1,446,553)

4. Operating segments *(Continued)*

Segment assets and liabilities *(Continued)*

At 31 December 2019

	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	389,477	255,696	1,098,870	73,927	1,817,970
– The PRC	1,742,041	–	–	–	1,742,041
	2,131,518	255,696	1,098,870	73,927	3,560,011
Unallocated corporate assets					274,645
Consolidated total assets					3,834,656
Segment liabilities					
– Hong Kong	(119,300)	(12,111)	(9,766)	(43,734)	(184,911)
– The PRC	(700,605)	–	–	–	(700,605)
	(819,905)	(12,111)	(9,766)	(43,734)	(885,516)
Unallocated corporate liabilities					(530,684)
Consolidated total liabilities					(1,416,200)

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 certain other borrowings, secured notes, certain tax payables, certain accruals and other payables, and amount due to an associate that are not attributable to individual segments. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

4. Operating segments *(Continued)*

Other segment information

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	(2,939)	–	–	(148)	(3,087)
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)

4. Operating segments *(Continued)*

Other segment information *(Continued)*

For the six months ended 30 June 2019

	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	20,784	–	–	8	20,792
Allowance for credit losses on other receivables	(3,878)	–	–	–	(3,878)
Allowance for credit losses on trade receivables	–	–	–	(8)	(8)
Amortisation of intangible assets	(10,159)	–	–	–	(10,159)
Depreciation of property, plant and equipment	(11,461)	–	–	(32)	(11,493)
Depreciation of right-of-use assets	(3,087)	–	–	–	(3,087)
Dividend income	–	670	–	–	670
Interest income on other receivables	1,292	–	–	–	1,292
Loss arising on change in fair value of financial assets at FVTPL	–	(57,696)	–	–	(57,696)
Loss arising on change in fair value of investment properties	(12,700)	–	–	–	(12,700)
(Loss)/gain on disposal of property, plant and equipment	(16)	70	–	–	54
Reversal of allowance for credit losses on loan receivables	–	–	3,644	–	3,644

4. 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	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Australia	**95**	98
Europe	**3,326**	6,126
Hong Kong	**73,758**	73,507
The PRC	**9,923**	10,422
The United States of America	**—**	932
	87,102	91,085

5. Revenue

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(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	**29,028**	28,464
Revenue from other sources		
— sale of financial assets at FVTPL, net	**1,299**	(2,711)
— interest income on loans	**44,305**	52,362
— rental income	**12,470**	12,970
Total revenue	**87,102**	91,085
Timing of revenue recognition		
— a point in time	**29,028**	28,464
— over time	**—**	—
Revenue from contracts with customers	**29,028**	28,464

5. 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	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sale of jewelry products	**29,028**	28,464
Revenue from contracts with customers	**29,028**	28,464
Sale of financial assets at FVTPL, net	**1,299**	(2,711)
Interest income on loans	**44,305**	52,362
Rental income	**12,470**	12,970
Total revenue	**87,102**	91,085

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	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Proceeds from sale of financial assets at FVTPL	**14,008**	49,515
Carrying amounts of financial assets at FVTPL sold plus transaction costs	**(12,709)**	(52,226)
	1,299	(2,711)

6. Investment and other income

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend income	**330**	670
Government grants	**206**	—
Interest income on bank deposits	**29**	33
Interest income on other receivables	**1,129**	1,292
	1,694	1,995

During the current interim period, 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.

7. Other gains and losses

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	**—**	54
Gain/(loss) arising on change in fair value of financial assets at FVTPL	**16,425**	(57,696)
Loss arising on change in fair value of investment properties	**(25,700)**	(12,700)
	(9,275)	(70,342)

8. Finance costs

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**2,025**	2,103
Interest on other borrowings	**8,690**	7,934
Interest on lease liabilities	**6,302**	6,590
Imputed interest on secured notes	**12,023**	12,013
	29,040	28,640
Less: interest on lease liabilities capitalised in the cost of qualifying assets	**(4,196)**	(4,379)
	24,844	24,261

9. Income tax credit/(expense)

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
— current tax	**(1,854)**	(3,436)
PRC Enterprise Income Tax		
— current tax	**(355)**	(535)
Deferred taxation credit	**25,185**	2,491
	22,976	(1,480)

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

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

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

10. Loss for the period

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

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Allowance for credit losses on loan receivables	**133,716**	—
Allowance for credit losses on other receivables	**709**	3,878
Allowance for credit losses on trade receivables	**1,187**	8
Amortisation of intangible assets (included in administrative expenses)	**9,667**	10,159
Cost of inventories sold	**30,292**	23,898
Depreciation of property, plant and equipment	**11,495**	11,493
Depreciation of right-of-use assets	**3,087**	3,087
Less: depreciation capitalised in the cost of qualifying assets	**(1,725)**	(1,812)
	1,362	1,275
Loss of inventories (included in administrative expenses)	**4,914**	—
Rental expenses in respect of short-term leases	**166**	435
Staff costs (including directors' emoluments):		
— salaries and allowances	**21,742**	22,446
— contributions to retirement benefits scheme	**224**	229
	21,966	22,675

10. Loss for the period *(Continued)*

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

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reversal of allowance for credit losses on loan receivables	**–**	(3,644)
Gross rental income from investment properties and operating rights	**(12,470)**	(12,970)
Less: direct operating expenses incurred for investment properties and operating rights that generated rental income during the period	**7,471**	9,049
Less: direct operating expenses incurred for investment properties and operating rights that did not generate rental income during the period	**251**	110
	(4,748)	(3,811)

11. Interim dividend

No interim dividend was paid, declared or proposed during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil). The Board has determined that no interim dividend will be paid in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

12. Loss per share

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

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the purpose of basic and diluted loss per share		
Loss for the period attributable to owners of the Company	**(208,757)**	(107,958)

	For the six months ended 30 June	
	2020	2019
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,819,606**	3,819,606

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

The computation of diluted loss per share for the six months ended 30 June 2019 does not assume the exercise of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

13. Movements in property, plant and equipment

During the six months ended 30 June 2020, the Group acquired certain property, plant and equipment with an aggregate cost of HK$703,000 (2019: HK$20,792,000). During the six months ended 30 June 2019, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK$16,000, resulting in a gain on disposal of HK$54,000.

14. Movements in right-of-use assets

During the six months ended 30 June 2020, the Group did not enter into any new lease agreement. The depreciation of right-of-use assets of HK$1,362,000 has been recognised directly in profit or loss for the six months ended 30 June 2020 (2019: HK$1,275,000) and HK$1,725,000 (2019: HK$1,812,000) 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 valuers, APAC Appraisal and Consulting Limited, using the same valuation technique as used by it when carrying out the valuation of 31 December 2019. The resulting decrease in fair value of investment properties of HK$25,700,000 has been recognised directly in profit or loss for the six months ended 30 June 2020 (2019: decrease in fair value of HK$12,700,000).

16. Interests in associates

	At 30 June 2020 ***HK$'000*** **(Unaudited)**	At 31 December 2019 *HK$'000* (Audited)
Listed shares in Hong Kong		
— China Healthwise Holdings Limited ("**China Healthwise**")	**54,176**	61,610
— Global Mastermind Holdings Limited ("**Global Mastermind**")	**134,896**	179,146
Unlisted shares in Hong Kong		
— China Hong Kong Money Limited ("**China Hong Kong Money**")	**593**	593
— Elite Prosperous Investment Limited ("**Elite Prosperous**")	**19,088**	30,802
	208,753	272,151
Cost of investments in associates	**238,683**	237,207
Amount due from an associate	**38,437**	38,437
Share of post-acquisition loss, other comprehensive expense, net dividends received and reserve	**(68,367)**	(3,493)
	208,753	272,151
Market value of listed shares		
— China Healthwise	**50,447**	53,414
— Global Mastermind	**41,885**	68,076

16. Interests in associates *(Continued)*

China Healthwise

During the six months ended 30 June 2020, China Healthwise repurchased and cancelled 112,400,000 of its shares and the Group's shareholdings in China Healthwise increased from 18.86% at 31 December 2019 to 19.14% at 30 June 2020. As a result of the shares repurchase and cancellation, the Group recognised a gain on deemed acquisition of HK$144,000 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 2020.

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 as at 30 June 2020 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 as at 30 June 2020 was closely approximate to its fair value as at 30 June 2020.

At 30 June 2020, the Group held 1,483,728,240 shares in China Healthwise and 1,460,520,240 shares of which, with a fair value of HK$49,658,000, have been pledged to secure the secured other borrowing – margin financing facility granted to the Group.

16. Interests in associates *(Continued)*

Global Mastermind

During the six months ended 30 June 2020, the Group further acquired 31,500,000 shares in Global Mastermind and the Group's shareholdings in Global Mastermind at a consideration of HK$1,477,000 increased from 29.04% at 31 December 2019 to 29.77% at 30 June 2020 accordingly. The Group recognised a gain on bargaining purchase of HK$1,849,000 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 2020 resulted from the further acquisition.

In view of the volume of the shares of Global Mastermind traded in GEM operated by the Exchange ("**GEM**") 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 Global Mastermind taken place in GEM 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 Global Mastermind.

Given that there was no deep and liquid market existed for the shares of Global Mastermind, the directors considered that the market value of the shares of Global Mastermind was not relevant to the measurement of the fair value of the Group's interest in Global Mastermind. Instead, the directors determined the fair value of the Group's interest in Global Mastermind based on its condensed consolidated statement of financial position as at 30 June 2020 as a majority of Global Mastermind'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 Global Mastermind as at 30 June 2020 was closely approximate to its fair value as at 30 June 2020.

At 30 June 2020, the Group held 1,269,250,000 shares in Global Mastermind and 469,250,000 shares of which, with a fair value of HK$15,485,000, have been pledged to secure the secured other borrowing – margin financing facility granted to the Group.

17. Properties under development

	At 30 June 2020 HK$'000 (Unaudited)	At 31 December 2019 HK$'000 (Audited)
At the beginning of the reporting period	**—**	—
Addition	**30,171**	—
At the end of reporting period	**30,171**	—

The properties under development are located in Mainland China and held under long-term leases.

Properties under development are expected to be recovered after more than one year.

18. Loan receivables

	At 30 June 2020 HK$'000 (Unaudited)	At 31 December 2019 HK$'000 (Audited)
Loans to customers	**983,685**	991,718
Accrued interest receivables	**25,162**	8,353
	1,008,847	1,000,071
Less: accumulated allowance for credit losses	**(155,737)**	(22,021)
	853,110	978,050

18. Loan receivables *(Continued)*

All loans are denominated in Hong Kong dollars. The loan receivables carry effective interest ranging from 8% to 15% per annum (31 December 2019: 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 2020 ***HK$'000*** **(Unaudited)**	At 31 December 2019 *HK$'000* (Audited)
Current assets		
— within one year	**578,298**	497,516
Non-current assets		
— more than one year but not exceeding two years	**274,812**	480,534
	853,110	978,050

During the six months ended 30 June 2020, an allowance for credit losses on loan receivables of HK$133,716,000 was recognised (30 June 2019: reversal of an allowance of HK$3,644,000).

At 30 June 2020, three loans in the aggregate principal amounts of HK$260,000,000 are secured by corporate guarantees. At 31 December 2019, two loans in the aggregate principal amounts of HK$125,000,000 are secured by corporate guarantees.

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

	For the six months ended 30 June 2020 ***HK$'000*** **(Unaudited)**	For the year ended 31 December 2019 *HK$'000* (Audited)
At the beginning of the reporting period	**22,021**	17,547
Allowance for credit losses recognised during the period	**133,716**	4,474
At the end of reporting period	**155,737**	22,021

19. Trade receivables

	At 30 June 2020 HK$'000 (Unaudited)	At 31 December 2019 HK$'000 (Audited)
Trade receivables	**30,840**	40,009
Less: accumulated allowance for credit losses	**(1,332)**	(145)
	29,508	39,864

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 2020 HK$'000 (Unaudited)	At 31 December 2019 HK$'000 (Audited)
0 — 30 days	**5,346**	7,510
31 — 60 days	**4,476**	6,391
61 — 90 days	**3,885**	6,852
91 — 120 days	**4,258**	3,617
121 — 180 days	**3,949**	9,084
Over 180 days	**7,594**	6,410
	29,508	39,864

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 2020, an allowance for credit losses of HK$1,187,000 was recognised in respect of trade receivables (30 June 2019: HK$8,000).

19. Trade receivables *(Continued)*

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

	For the six months ended 30 June 2020 ***HK$'000*** **(Unaudited)**	For the year ended 31 December 2019 *HK$'000* (Audited)
At the beginning of the reporting period	**145**	89
Allowance for credit losses recognised during the period	**1,187**	56
At the end of reporting period	**1,332**	145

20. Share Capital

	Number of shares *'000*	**Share capital** *HK$'000*
Ordinary shares of HK$0.01 each (2019: HK$0.01 each)		
Authorised:		
At 1 January 2019, 31 December 2019 (audited), 1 January 2020 and 30 June 2020 (unaudited)	**10,000,000**	**100,000**
Issued and fully paid:		
At 1 January 2019, 31 December 2019 (audited), 1 January 2020 and 30 June 2020 (unaudited)	**3,819,606**	**38,196**

21. 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 2020 ***HK$'000*** **(Unaudited)**	At 31 December 2019 *HK$'000* (Audited)
0 — 30 days	**2,732**	2,409
31 — 60 days	**1,184**	336
61 — 90 days	**706**	603
91 — 120 days	**1,216**	750
Over 120 days	**2,448**	1,412
	8,286	5,510

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.

22. Bank borrowings

	At 30 June 2020 HK$'000 (Unaudited)	At 31 December 2019 HK$'000 (Audited)
Secured bank borrowings	**155,778**	155,720
Carrying amounts repayable:		
— within one year	**40,226**	38,823
	40,226	38,823
Carrying amounts that contain a repayable on demand clause (shown under current liabilities) but repayable:		
— within one year	**4,081**	5,413
— more than one year, but not exceeding two years	**5,543**	5,543
— more than two years, but not exceeding five years	**17,391**	17,391
— over five years	**88,537**	88,550
	115,552	116,897
	155,778	155,720
Less: amounts shown under current liabilities	**(155,778)**	(155,720)
Amounts shown under non-current liabilities	**—**	—

22. Bank borrowings *(Continued)*

At 30 June 2020, the Group had the following bank borrowings:

(a) a secured mortgage loan of HK$115,552,000 (31 December 2019: HK$116,897,000), 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$348,213,000 (31 December 2019: HK$377,867,000), 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 September 2037;

(b) a secured revolving term loan of HK$20,000,000 (31 December 2019: HK$20,000,000), which is 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$348,213,000 (31 December 2019: HK$377,867,000), guaranteed by the Company and Om Gem Limited, and maturing on 27 April 2021; and

(c) a secured account payable financing facilities of HK$20,226,000 (31 December 2019: HK$18,823,000), which is 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$348,213,000 (31 December 2019: HK$377,867,000) guaranteed by the Company and Om Gem Limited, and maturing in four months commencing from September 2020.

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.

23. Other borrowings

	At 30 June 2020 HK$'000 (Unaudited)	At 31 December 2019 HK$'000 (Audited)
Secured other borrowing — margin financing facility	**29,875**	—
Unsecured other borrowing	**200,000**	200,000
	229,875	200,000

At 30 June 2020, 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 28 May 2021.

During the six months ended 30 June 2020, the Company entered into a supplemental agreement with the finance company to extend the repayment date of the unsecured other borrowing from 29 May 2020 to 28 May 2021. Save and except for the extension of the repayment date, all terms and conditions of the loan agreement remain unchanged and continue in full force and effect.

At 30 June 2020, the secured other borrowing — margin financing facility of HK$29,875,000 is 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$142,859,000, of which HK$77,716,000 is related to the Group's financial assets at FVTPL and HK$65,143,000 is related to part of the Group's listed investments in associates, and (ii) a personal guarantee given by Mr. Lei Hong Wai.

24. Secured notes

	At 30 June 2020 HK$'000 (Unaudited)	At 31 December 2019 HK$'000 (Audited)
Secured notes	**299,963**	299,841

	HK$'000
At 1 January 2019	299,611
Imputed interest on secured notes	24,231
Interest paid and payable	(24,001)
At 31 December 2019 (audited) and 1 January 2020	299,841
Imputed interest on secured notes *(note 8)*	12,023
Interest paid and payable	(11,901)
At 30 June 2020 (unaudited)	**299,963**

On 25 August 2017, the Company issued the secured notes in an aggregate principal amount of HK$300,000,000. The secured notes are interest bearing at 8% per annum, secured by a share charge over 100% issued shares in China Jiuhao 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 a 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 maturing on 25 August 2020.

Under the terms and conditions of the secured notes, the Company covenants with the noteholders that from the issue date and for so long as any secured notes are outstanding, (i) the Group will not create, or have outstanding, any encumbrance or security interest upon the whole or any part of its present or future undertaking, assets or revenue to secure any present or future indebtedness incurred or to secure any guarantee or indemnity in respect of any present or future indebtedness incurred (subject to the exceptions as set out in the secured notes), and (ii) the Company will ensure the consolidated tangible net worth (as defined in the terms and conditions of the secured notes) of the Group will not be less than HK$1,300,000,000.

24. Secured notes *(Continued)*

Based on the condensed consolidated financial statements for the six months ended 30 June 2020, the consolidated tangible net worth (as defined in the terms and conditions of the secured notes) as at 30 June 2020 was less than HK$1,300,000,000, which constitutes a breach of the relevant terms and conditions of the secured notes (the "**Breach**"). The Breach constitutes an event of default under the secured notes and entitles the noteholders to declare the outstanding principal amount of the secured notes, accrued interest and all other sums payable under the secured notes immediately due and repayable. On 27 August 2020, the Company obtained a waiver from the noteholders in respect of the Breach.

25. Amount due to a director

	At 30 June 2020 ***HK$'000*** **(Unaudited)**	At 31 December 2019 *HK$'000* (Audited)
Mr. Cheung Kwok Fan	**–**	–

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

On 30 January 2020, 2 March 2020 and 8 April 2020, Mr. Cheung Kwok Fan, an executive director of the Company, made a cash advance of HK$600,000, HK$400,000, and HK$200,000 respectively to the Group for financing its short-term funding needs. On 29 June 2020, the Group repaid the cash advances to Mr. Cheung Kwok Fan.

26. 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 2020 ***HK$'000*** **(Unaudited)**	At 31 December 2019 *HK$'000* (Audited)
Capital expenditures for the Subject Land	**58,162**	26,854

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 2020 and 2019:

(a) *Transactions with associates*

Loans (to)/from associates

	At 30 June 2020 HK$'000 (Unaudited)	At 31 December 2019 HK$'000 (Audited)
Amount due from Elite Prosperous *(Note)*	**38,437**	38,437
Amount due to China Hong Kong Money	**(1,967)**	(1,967)

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 loans (to)/from 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	
	2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Brokerage fees and related expenses paid/payable	**50**	118
Rental income received/receivable	**2,548**	1,492

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

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	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short-term employee benefits	**11,310**	11,280
Post-employment benefits	**36**	36
	11,346	11,316

Total remuneration is included in "staff costs" *(note 10)*.

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 shareholder of the Company

(i) On 29 November 2018, Mr. Lei Hong Wai, the Chairman of the Board and an executive director of the Company, 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 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 2020, the provision of the personal guarantee by Mr. Lei Hong Wai remains in full force and effect.

(ii) On 24 December 2018, Mr. Lei Hong Wai made a cash advance of HK$50,000,000 to the Group for financing its short-term funding needs. The cash advance was non-interest bearing and unsecured. On 4 January 2019, the Group repaid the cash advance to Mr. Lei Hong Wai.

27. Material related party transactions *(Continued)*

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

(iii) On 30 January 2019, Mr. Lei Hong Wai made a cash advance of HK$25,000,000 to the Group for financing its short-term funding needs. The cash advance was non-interest bearing and unsecured. On 7 March 2019, the Group repaid the cash advance to Mr. Lei Hong Wai.

(iv) On 15 February 2019, Twin Success International Limited ("**Twin Success**"), a substantial shareholder of the Company which is beneficially owned as to 50% by Mr. Lei Hong Wai, as to 25% by Mr. Cheung Kwok Wai Elton and as to 25% by Mr. Cheung Kwok Fan, made a cash advance of HK$7,200,000 to the Group for financing its short-term funding needs. Each of Mr. Lei Hong Wai, Mr. Cheung Kwok Wai Elton and Mr. Cheung Kwok Fan is an executive director of the Company. The cash advance was non-interest bearing and unsecured. On 28 February 2019, the Group repaid the cash advance to Twin Success.

(v) On 30 January 2020, 2 March 2020 and 8 April 2020, Mr. Cheung Kwok Fan made a cash advance of HK$600,000, HK$400,000, and HK$200,000 respectively to the Group for financing its short-term funding needs. The cash advance was non-interest bearing and unsecured. On 29 June 2020, the Group repaid the cash advances to Mr. Cheung Kwok Fan.

(vi) On 9 March 2020, Mr. Lei Hong Wai provided a personal guarantee to secure the Group's repayment obligations under the 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 2020, the provision of the 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.

27. Material related party transactions *(Continued)*

(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% 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, a then director and legal representative of a wholly-owned subsidiary of the Company, (as agent of Bayhood No. 9 Co.) and Ms. Hao Yuhui.

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.

27. Material related party transactions *(Continued)*

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

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.

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. Impairment assessment on loan receivables, other receivables and trade receivables

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Allowance for credit losses recognised/ (reversed) in respect of:		
— loan receivables *(note 18)*	**133,716**	(3,644)
— other receivables	**709**	3,878
— trade receivables *(note 19)*	**1,187**	8
	135,612	242

28. Impairment assessment on loan receivables, other receivables and trade receivables *(Continued)*

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 2020 are the same as those followed in the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2019.

29. 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.

In estimating the fair value, 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.

29. 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 measurements categorised into							
	Level 1		Level 2		Level 3		Total	
	At 30 June 2020 HK$'000 (Unaudited)	At 31 December 2019 HK$'000 (Audited)	**At 30 June 2020 HK$'000 (Unaudited)**	At 31 December 2019 HK$'000 (Audited)	**At 30 June 2020 HK$'000 (Unaudited)**	At 31 December 2019 HK$'000 (Audited)	**At 30 June 2020 HK$'000 (Unaudited)**	At 31 December 2019 HK$'000 (Audited)
Financial assets								
Financial assets at FVTPL								
– listed equity securities in Hong Kong	**276,889**	233,712	**–**	–	**4,712**	7,103	**281,601**	240,815

	Fair value at 30 June 2020 HK$'000 (Unaudited)	Fair value at 31 December 2019 HK$'000 (Audited)	**Fair value hierarchy**	**Valuation techniques and key inputs**
Financial assets				
Financial assets at FVTPL				
– listed equity securities in Hong Kong	**276,889**	233,712	Level 1	Quoted closing prices in active markets
– listed equity securities in Hong Kong	**4,712**	7,103	Level 3	Significant unobservable inputs

During the six months ended 30 June 2020 and 2019, 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.

29. 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
Financial assets			
Financial assets at FVTPL – listed equity securities in Hong Kong	Market approach	Holding return basis of negative 65.90% (31 December 2019: negative 42.44%)	The holding return basis is positively correlated to the fair value measurement
		Price-to-earning basis of 13.78 (31 December 2019: 48.12)	The price-to-earning basis is positively correlated to the fair value measurement
		Discount rate of 70.44% (31 December 2019: 74.29%)	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 30 June 2020 and 31 December 2019 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.

29. 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 movement during the six months ended 30 June 2020 in the balance of this Level 3 fair value measurement is as follows:

	Listed equity securities *HK$'000*
At 1 January 2019	6,211
Gain arising on change in fair value of financial assets at FVTPL	892
At 31 December 2019 (audited) and 1 January 2020	7,103
Loss arising on change in fair value of financial assets at FVTPL	(2,391)
At 30 June 2020 (unaudited)	**4,712**

Any gains or losses arising from the remeasurement of the suspended listed equity securities are included in gain/(loss) arising on change in fair value of financial assets at FVTPL under the "Other gains and losses" line item in the condensed consolidated statement of profit or loss.

(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 2020 and 31 December 2019, except for the secured notes, which had a carrying amount and fair value of HK$299,963,000 (31 December 2019: HK$299,841,000) and HK$308,279,000 (31 December 2019: HK$309,473,000) at 30 June 2020 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 noteholders for investing in similar financial instruments.

30. Contingent liabilities

At 30 June 2020, the Group did not have any material contingent liabilities.

31. Events after the end of the reporting period

On 25 August 2017, the Company issued the secured notes in an aggregate principal amount of HK$300,000,000 to the subscriber. On 24 August 2020, the Company made a partial redemption of HK$30,000,000 of the secured notes. The maturity date of the secured notes fell on 25 August 2020. The Company has been in negotiations with the noteholders for a one year extension to the maturity date of the secured notes, and the noteholders have informed the Company that it is agreeable to such extension. The Company is currently in discussion with the noteholders as to the formal terms and conditions for such extension. As at the date of this interim report, the outstanding principal amount of the secured notes is HK$270,000,000.

32. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue by the Board on 31 August 2020.

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31st Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial statements set out on pages 3 to 48, which comprise the condensed consolidated statement of financial position of Eternity Investment Limited (the "**Company**") and its subsidiaries (collectively, referred to as the "**Group**") as of 30 June 2020 and the related condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, a summary of significant accounting policies and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The directors are responsible for the preparation and presentation of this interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on the interim financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of the interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 31 August 2020

Financial Review

Results of operations

During the six months ended 30 June 2020, the Group recorded revenue of HK$87,102,000, a 4% decrease from HK$91,085,000 for the previous period. The decrease in revenue was mainly attributable to a decrease in loan interest income generated from the Group's money lending business. Of the total revenue, HK$44,305,000 was generated from money lending, HK$29,028,000 was generated from the sale of jewelry products, HK$12,470,000 was generated from property investment, and HK$1,299,000 was generated from the sale of financial assets.

Loss for the period attributable to owners of the Company amounted to HK$208,757,000, a 93% increase from HK$107,958,000 for the six months ended 30 June 2019. This significant increase was mainly attributable to (i) the recognition of a HK$133,716,000 in the allowance for credit losses for on loan receivables, and (ii) a HK$36,310,000 increase in the share of losses of associates. These increases were partially offset by a gain of HK$16,425,000 arising on change in fair value of financial assets at fair value through profit or loss ("**FVTPL**"), whereas a loss of HK$57,696,000 was recorded for the six months ended 30 June 2019.

The Group's sale of jewelry products business reported a gross loss of HK$1,264,000 in the six months ended 30 June 2020, whereas a gross profit of HK$4,566,000 was recorded in the six months ended 30 June 2019. The gross profit margin for the sale of jewelry products decreased from 16% in the six months ended 30 June 2019 to -4% in the six months ended 30 June 2020. These deteriorations in gross profit and gross profit margin are discussed in the section headed "*Sale of jewelry products business*" under "Operations Review" below.

Gross profit for property investment decreased by 8% from HK$5,438,000 in the six months ended 30 June 2019 to HK$4,999,000 in the six months ended 30 June 2020. Gross profit margin for property investment decreased from 42% in the six months ended 30 June 2019 to 40% in the six months ended 30 June 2020. These decreases in gross profit and gross profit margin were mainly attributable to the decrease in the rental income of leasing the assets of the Club (as defined below) resulted from translating from Renminbi into Hong Kong dollar, where Renminbi depreciated during the first half of 2020.

Financial Review *(Continued)*

Results of operations *(Continued)*

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

(a) At the end of the reporting period, the Group measured the investment property portion of the Shun Tak Property (as defined below) at fair value based on a valuation prepared by an independent qualified valuer and recognised a loss of HK$25,700,000 arising on change in the fair value of investment properties.

(b) 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 Stock Exchange of Hong Kong Limited (the "**Exchange**") and recognised the gain of HK$16,425,000 arising on change in the 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 20% from HK$2,473,000 in the six months ended 30 June 2019 to HK$1,988,000 in the six months ended 30 June 2020. This decrease was mainly attributable to the decline in overseas travelling expenses and exhibition expenses for business development resulted from the travel restrictions imposed by nations across the world to curb the spread of the novel coronavirus.

Administrative expenses increased by 301% from HK$45,659,000 in the six months ended 30 June 2019 to HK$183,012,000 in the six months ended 30 June 2020. This increase was mainly attributable to (i) a HK$137,360,000 increase in the allowance for credit losses on the Group's loan receivables as discussed in the section headed "*Money lending business*" under "Operations Review" below, and (ii) a loss of inventories of HK$4,914,000 recorded by the Group's sale of jewelry products business as discussed in the section headed "*Sale of jewelry products business*" under "Operations Review" below.

Financial Review *(Continued)*

Results of operations *(Continued)*

Share of losses of associates amounted to HK$63,856,000 for the six months ended 30 June 2020, representing (i) the share of loss of HK$11,714,000 from Elite Prosperous Investment Limited ("**Elite Prosperous**"), a 49% owned associate of the Company, (ii) the share of loss of HK$45,003,000 from Global Mastermind Holdings Limited ("**Global Mastermind**"), a 29.77% owned associate of the Company, and (iii) the share of loss of HK$7,139,000 from China Healthwise Holdings Limited ("**China Healthwise**"), a 19.14% owned associate of the Company.

Finance costs increased by 2% from HK$24,261,000 in the six months ended 30 June 2019 to HK$24,844,000 in the six months ended 30 June 2020.

The Group recorded a tax credit of HK$22,976,000 for the six months ended 30 June 2020. The tax credit derived from the recognition of (i) deferred tax credit of HK$22,240,000 arising from the allowance for credit losses made on the Group's loan and other receivables, and (ii) deferred tax credit of HK$2,945,000 resulting from the movements in the deferred tax liabilities recognised for the fair value adjustments on acquisition of Smart Title Limited in 2015 and the rights-of-use assets. Such tax credit was partially offset by the current period tax expense of HK$2,209,000.

Liquidity and financial resources

During the six months ended 30 June 2020, the Group funded its operations through a combination of cash generated from operations, equity attributable to owners of the Company, and borrowings. Equity attributable to owners of the Company decreased from HK$2,423,931,000 at 31 December 2019 to HK$2,191,855,000 at 30 June 2020. This decrease was due to the loss incurred by the Group for the six months ended 30 June 2020.

At 30 June 2020, the cash and cash equivalents of the Group amounted to HK$111,692,000 (31 December 2019: HK$140,550,000).

Financial Review *(Continued)*

Liquidity and financial resources *(Continued)*

At 30 June 2020, the Group had outstanding borrowings of HK$685,616,000 (31 December 2019: HK$655,561,000) representing:

(a) the carrying amount of the Company's HK$300,000,000 8% secured notes due 2020 (the "**Secured Notes**") of HK$299,963,000, which are interest bearing at 8% per annum, secured by a share charge over 100% issued shares in China Jiuhao 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 a 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 maturing on 25 August 2020;

(b) the banking facilities in the aggregate principal amount of HK$155,778,000, comprising (i) an instalment loan of HK$115,552,000, 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 September 2037; (ii) an advance of HK$20,000,000 under a revolving term loan, which is 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 27 April 2021; and (iii) various advances in the aggregate principal amount of HK$20,226,000 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 four months commencing from September 2020;

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 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 of the Company, and maturing on 28 May 2021; and

(d) a securities margin financing facility of HK$29,875,000 granted by a securities company, which is 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.

Gearing ratio

At 30 June 2020, the gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of the Company was 31% (31 December 2019: 27%).

Net current assets and current ratio

At 30 June 2020, the Group's net current assets and current ratio were HK$269,729,000 (31 December 2019: HK$210,194,000) and 1.30 (31 December 2019: 1.24) respectively.

Capital structure

During the six months ended 30 June 2020, there was no change in the Company's capital structure.

Material acquisitions and disposals of subsidiaries and associates

During the six months ended 30 June 2020, the Group did not have any material acquisitions and disposals of subsidiaries and associates.

Financial Review *(Continued)*

Pledge of assets

At 30 June 2020, the following Group's assets were pledged:

(a) the Shun Tak Property with a carrying amount of HK$348,213,000 (31 December 2019: HK$377,867,000), of which HK$214,713,000 (31 December 2019: HK$218,667,000) is classified under "property, plant and equipment", and HK$133,500,000 (31 December 2019: HK$159,200,000) is classified under "investment properties", for securing the banking facilities granted to the Group;

(b) the 100% issued shares in China Jiuhao Health Industry Group Limited with an unaudited combined net assets of HK$1,088,425,000 (31 December 2019: HK$1,041,436,000) after adjusting for purchase price allocation for securing the Secured Notes; and

(c) the Group's listed securities in Hong Kong with a fair value of HK$142,859,000 (31 December 2019: Nil), of which HK$77,716,000 (31 December 2019: Nil) is related to the Group's financial assets at FVTPL and HK$65,143,000 (31 December 2019: Nil) is related to part of the Group's listed investments in associates, for securing the margin financing facility granted to the Group.

Material commitments

At 30 June 2020, the Group had a total commitment of HK$58,162,000 (31 December 2019: HK$26,854,000) 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 2020, no financial instruments for hedging purposes were used by the Group.

Financial Review *(Continued)*

Contingent liabilities

At 30 June 2020, the Group did not have any material contingent liabilities.

Employees and remuneration policy

At 30 June 2020, the headcount of the Group was 69 (30 June 2019: 95). Staff costs (including directors' emoluments) amounted to HK$21,966,000 in the six months ended 30 June 2020 (2019: HK$22,675,000). The decrease in staff costs was attributable to a staff restructuring exercise in the Group's Beijing operations. 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 2020, the Group's sale of financial assets business reported a segment profit (before taxation) of HK$17,996,000, whereas a loss of HK$59,710,000 was recorded in the previous period. The turnaround was due to the recognition of the gain of HK$16,425,000 arising on change in the fair value of financial assets at FVTPL in the six months ended 30 June 2020, whereas a loss of HK$57,696,000 was recognised in the six months ended 30 June 2019.

During the six months ended 30 June 2020, the Group acquired six Hong Kong listed securities with the aggregate acquisition costs of HK$37,034,000 and made a trading gain of HK$1,299,000 from selling one Hong Kong listed securities with the aggregate carrying amount of HK$12,673,000 at the aggregate net sale proceeds of HK$13,972,000.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Movements in the carrying amount of the Hong Kong listed and unlisted securities held by the Group during the six months ended 30 June 2020 and 2019 are as follows:

	2020	2019
	HK$'000	*HK$'000*
Carrying amount at 1 January	**240,815**	287,302
Add: Acquisitions	**37,034**	150,050
Less: Disposals	**(12,673)**	(52,093)
Gain/(loss) arising on change in fair value recognised	**16,425**	(57,696)
Carrying amount at 30 June	**281,601**	327,563

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 2020 are as follows:

	Notes	Number of shares held at 30 June 2020	Fair value at 30 June 2020 *HK$'000*	Fair value as compared to the consolidated total assets of the Group at 30 June 2020	Dividend received/ receivable in the six months ended 30 June 2020 *HK$'000*	Gain/(loss) arising on change in fair value recognised in the six months ended 30 June 2020 *HK$'000*
Name of Hong Kong listed securities						
Affluent Partners Holdings Ltd. (stock code: 1466)	1	16,742,000	435	0.01%	–	(787)
BC Technology Group Ltd. (stock code: 863)	2	18,000,000	151,920	4.18%	–	7,920
Boill Healthcare Holdings Ltd. (stock code: 1246)	3	290,000,000	11,890	0.33%	–	5,494
Brockman Mining Ltd. (stock code: 159)	4	40,220,000	4,464	0.12%	–	(845)
Frontier Services Group Ltd. (stock code: 500)	5	23,040,000	10,022	0.28%	–	(6,281)
Heng Tai Consumables Group Ltd. (stock code: 197)	6	55,575,000	5,558	0.15%	–	(3,208)
Huanxi Media Group Ltd. (stock code: 1003)	7	3,340,000	5,077	0.14%	–	90
Huayi Tencent Entertainment Company Ltd. (stock code: 419)	8	384,790,000	43,097	1.19%	–	19,736
Kingston Financial Group Ltd. (stock code: 1031)	9	33,028,000	22,789	0.63%	330	(3,633)
KuangChi Science Ltd. (stock code: 439)	10	23,000,000	6,095	0.17%	–	(460)
Lajin Entertainment Network Group Ltd. (stock code: 8172)	11	53,500,000	5,778	0.16%	–	428
Link-Asia International Co. Ltd. (stock code: 1143)	12	1,500,000	518	0.01%	–	(413)
SuperRobotics Ltd. (stock code: 8176)	13	5,495,000	7,803	0.21%	–	917
Town Health International Medical Group Ltd. (stock code: 3886)	14	70,000,000	4,712	0.13%	–	(2,391)
Yunfeng Financial Group Ltd. (stock code: 376)	15	444,000	1,443	0.04%	–	(142)
			281,601		330	16,425
Name of Hong Kong unlisted securities						
Hsin Chong Group Holdings Ltd.	16	90,000,000	–	0.00%	–	–
			–		–	–
			281,601		330	16,425

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes:

1. Affluent Partners Holdings Ltd. ("**Affluent Partners**") and its subsidiaries are principally engaged in (i) purchasing, processing, designing, production and wholesale distribution of pearls and jewellery products, and (ii) the operation of strategic investment and financial services segment, with the objective to include investments in real estate agency business and real estate investment funds, and other potential investment opportunities.

   Based on its published financial information, Affluent Partners had equity attributable to owners of HK$85,132,000 at 31 March 2020 and recorded a loss attributable to owners of HK$281,822,000 for the year ended 31 March 2020.

   As disclosed in its 2020 annual report, Affluent Partners anticipated that its strategic investment and financial services segment would diversify its income streams, and generate additional investment returns on its available funds from time to time. Affluent Partners expected that the segment would be its growth driver and would actively make continuous efforts to find appropriate investment projects in the future. The social movement in Hong Kong and the outbreak of coronavirus disease (the "**Outbreak**") was expected to adversely impact on the business performance of Affluent Partners but the actual impact had yet to be quantified. Based on its current observation and estimation, the downtrend on Affluent Partners' revenue was expected to be carried forward to certain extent for the second half of 2020 due to the slowdown of economic activities and the change of consumption pattern caused by the Outbreak. Affluent Partners was taking all practicable measures to cope with the challenges ahead, while striving for the highest caution standard to protect the health and safety of its staff and customers. Affluent Partners would continue to monitor the development of the Outbreak and its impact on Affluent Partners' operations and the impairment of the investment in Guardian City and react actively to its impacts on the financial position and operating results of Affluent Partners. Affluent Partners would further use its resources as a listed company to add value for the acquisition project to increase its profitability and return. Meanwhile, Affluent Partners would continue enhancing the development of the mature pearls and jewellery business, actively participating in various important jewellery & gem fairs around the world and optimising operation efficiency and productivity in a bid to stay competitive. While the Outbreak was yet stable, Affluent Partners expected that the revenue from pearls and jewellery business would continue to further deteriorate. With the development of its strategic investment and financial services segment, Affluent Partners would focus its investments and operations more in the real estate, co-working spaces and investment and asset management sectors especially in Europe and Asia.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

2. BC Technology Group Ltd. ("**BC Technology**") and its subsidiaries are principally engaged in the advertising business and the provision of business park area management services in Mainland China, and the provision of digital assets trading, brokerage, technologies and services business in Hong Kong.

   Based on its published financial information, BC Technology had deficit attributable to owners of RMB69,255,000 at 31 December 2019 and equity attributable to owners of RMB134,050,000 at 30 June 2020. BC Technology recorded a loss attributable to owners of RMB243,580,000 and RMB92,954,000 for the year ended 31 December 2019 and the six months ended 30 June 2020 respectively.

   According to its interim results announcement, BC Technology's digital assets platform business and Software as a Service ("**SaaS**") revenues had continued to outpace its advertising and business park area management services lines throughout the first half of 2020. In addition, BC Technology's geographic expansion in the digital assets sector had increased its customer base and provided operational redundancies with capability to support potential business disruption during the current global pandemic. Through its pursuit of relevant digital asset financial services licences in Hong Kong and Singapore, BC Technology in the first half of 2020 had also continued to actively support the development of regulation of digital assets and the acceptance of the asset class by institutions and professional investors. Regulatory clarity had dramatically increased in the first six months of 2020, resulting in more high-quality professional participants entering the space. These participants were actively seeking partners such as BC Group that possessed world-class technology, risk management, security, and compliance protocols which adhere to new regulatory standards. As one of a few market participants with the ability to comply with new and emerging regulations, BC Technology had seen substantial interest from institutional investors seeking to enter the market. The nature of these engagements was far ranging and includes discussions around strategic partnerships as well as existing and new potential SaaS offerings. Accordingly, BC Technology continued to build its standalone capabilities in technology, security, risk and compliance systems to meet regulatory standards as well as the operational and technical requirements of existing and potential partners and counterparties. BC Technology believed that revenue growth in its digital asset trading platform and SaaS offerings would continue to outpace existing advertising and business park area management services businesses. However, both new and existing business lines would continue to be key revenue streams in the near future. Looking forward, BC Technology would strengthen its efforts to diversify revenue and expand its customer base in Hong Kong and other key jurisdictions predominantly in Asia, where it was focused on the provision of digital asset trading platforms and related SaaS. BC Technology would take a cautious approach to pursuing growth opportunities in its advertising and business park management services business in Mainland China. To support organic and inorganic growth, BC Technology was actively continuing to strengthen its financial resources through debt and equity to strengthen its working capital base.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

3. Boill Healthcare Holdings Ltd. ("**Boill Healthcare**") and its subsidiaries are principally engaged in the foundation piling, property development, healthcare holiday resort development and operation, and securities investment.

   Based on its published financial information, Boill Healthcare had equity attributable to owners of HK$407,207,000 at 31 March 2020 and recorded a loss attributable to owners of HK$189,432,000 for the year ended 31 March 2020.

   As disclosed in Boill Healthcare's 2020 annual report, with the steady growth of the Mainland China's economy, the increase in household income and the experience from the COVID-19 pandemic since early 2020, it was expected that the demand for wellbeing-related goods and services represented by high-quality living, tourism, vacation and healthcare services would continue to increase, which provided Boill Healthcare with great opportunities for sustainable expansion of its property development business and healthcare holiday resort development and operation business, with high end real estate and living services. Boill Healthcare had formulated a long-term growth strategy and objective, taking the development and operation of property encompassing tourism, health preservation culture, and medical and health as the core business of Boill Healthcare in the future. Boill Healthcare understood that land acquisition strategy to acquire land reserve to secure future saleable resources for its future development and the brand building of Boill Healthcare in the property market in Mainland China were the key elements for success of Boill Healthcare. Boill Healthcare would consider obtaining premium land sites through tender, auction and listing in the open market through forming joint venture enterprises with other property developers as joint venture enterprises enjoyed advantages in land acquisitions, financing, marketing and pricing. The performance of the foundation industry had still been negatively affected by the limited availability of public projects and intensive competition in the market. Further, Boill Healthcare was facing a growing number of competitors listed on the Exchange which had actively raised funds for expansion. Profit margin had also been adversely affected by the increasing labour and operating costs and keen competition in the foundation market. In view of the above circumstances, Boill Healthcare foresaw that the business prospect of foundation business would remain uncertain in the coming future. Boill Healthcare understood that the performance of the investments in securities might be affected by the degree of volatility in the Hong Kong stock market and would be subject to other external factors. Boill Healthcare would continue to maintain a diversified investment portfolio to minimise the possible financial risks.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

4. Brockman Mining Ltd. ("**Brockman Mining**") and its subsidiaries are principally engaged in the acquisition, exploration and development of iron ore in Australia.

   Based on its published financial information, Brockman Mining had equity attributable to owners of HK$631,970,000 and HK$617,659,000 at 30 June 2019 and 31 December 2019 respectively. Brockman Mining recorded a profit attributable to owners of HK$67,588,000 for the year ended 30 June 2019 and a loss attributable to owners of HK$13,508,000 for the six months ended 31 December 2019.

   As disclosed in its 2019/20 interim report, Brockman Mining and Polaris Metals Pty. Ltd. ("**Polaris**"), a wholly-owned subsidiary of Mineral Resources Limited ("**MRL**"), had progressed activities towards satisfaction of their farm-in obligations in relation to the Farm-In Joint Venture Agreement dated 26 July 2018 (the "**FJV Agreement**") over Brockman Mining's Marillana Iron Ore Project. Both parties had agreed that extra time had been required to undertake additional drilling and metallurgical testwork to ensure that there were no fatal flaws in the mine plan and process plant design. Hence, the parties had agreed on 19 July 2019 to extend certain key dates pertaining to the FJV Agreement. Under the terms of the FJV Agreement and following satisfaction of the conditions precedent and completion of the farm-in obligations, Polaris would earn a 50% interest in the Marillana Iron Ore Project and MRL would be responsible for the development of the mine, construction and operation of the processing plant. MRL had also committed to the construction and operation of ore haulage and port infrastructure to facilitate the export of the Marillana Iron Ore Project's product. Following the recent agreed variations to the FJV Agreement, it was expected that construction of the infrastructure would commence before the end of 2020 and be operational before the end of 2022. The establishment of the joint venture would unlock the value of the Marillana Iron Ore Project and might assist in the future development of Brockman Mining's other iron ore projects in the Pilbara. Upon the completion of the farm-in obligations, the joint venture on the Marillana Iron Ore Project should be established and development and construction of the project should commence.

5. Frontier Services Group Ltd. ("**Frontier Services**") and its subsidiaries are principally engaged in the provision of aviation logistics security, insurance and infrastructure related services, and the provision of online financial market information.

   Based on its published financial information, Frontier Services had equity attributable to owners of HK$718,738,000 and HK$584,317,000 at 31 December 2019 and 30 June 2020 respectively. Frontier Services recorded a loss attributable to owners of HK$354,793,000 and HK$130,221,000 for the year ended 31 December 2019 and the six months ended 30 June 2020 respectively.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

5. *(Continued)*

As stated in its interim results announcement, the first half of 2020 had proven to be a challenging period for Frontier Services and even the globe. Some of Frontier Services' business operations during the six months ended 30 June 2020 had to bring to a halt due to disruption to supply chains around the world, lockdowns, travel restrictions on foreign workers, project suspensions and slowdowns. Such disruptions had severely affected Frontier Services' operations in the logistics (including aviation) and infrastructure segments. All these had inevitably increased Frontier Services' operating costs which caused by the prolonged delays in delivery for certain proposed and on-going infrastructural projects in South East Asia and Africa. By when COVID-19 pandemic would come to an end, and the global economy resumed back to normal remained highly unpredictable. In general, it was expected that many ongoing projects would be rescheduled or even cancelled. The long term impact of the pandemic on certain projects was the real cause of concern. The resurgence of certain projects would be difficult because of problems arising from the mobility of the workers, consultants and contractors as well as the financial viability of these projects. Upstream and downstream players were affected along the supply chain. During the past two years, Frontier Services had put a lot of efforts and resources in cultivating new markets so as to develop the logistics channels across those economic corridors and to secure certain significant projects in South East Asia and Africa. As of today, Frontier Services had established its presence in the form of security, logistics, insurance and infrastructure in countries like Cambodia, Laos, Myanmar, Bangladesh, the DRC, Kenya, Mozambique, South Africa, Tanzania, Nigeria, Kazakhstan, Malta, United Arab Emirates and Mainland China (including Hong Kong). Although Frontier Services had been exposed to the tremendous impacts of COVID-19 pandemic, every team member of Frontier Services stayed focus and was still fighting hard towards its mission in different parts of the world and serving Frontier Services' customers to their satisfaction. With its unique business modelling and shareholding structure, Frontier Services' business development remained positive and active during the six months ended 30 June 2020. At present, most of the markets were struggling amidst the impacts of COVID-19 pandemic and the near-term outlook was difficult to foresee and predict. Nevertheless, Frontier Services still believed that there were a lot of business opportunities to be grasped. For example, air ambulance services, one of Frontier Services' subsidiaries business was now benefiting from high demands during these troubled times. Frontier Services' Maltese based aircraft management company was also doing well by offering support to government officials in Europe for transporting medical equipment and consumables between borders of the neighbouring cities and/or countries during this critical moment. During the six months ended 30 June 2020, the demands for Frontier Services' security and insurance services in the DRC and Cambodia grew remarkably. With all these positive catalysts, the management believed that Frontier Services' business performance would get better in the foreseeable future. Simultaneously, the management of Frontier Services would continue to closely monitor its development, implement any necessary measures and adopt to any required changes whenever necessary to tackle any difficulties and grasp any opportunities in front of Frontier Services. Frontier Services believed that with the continued support from its shareholders, its firm commitment towards its mission and vision, and the recent implementation of certain cost-cutting measures, Frontier Services would become stronger and thrive in these challenging times.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

6. Heng Tai Consumables Group Ltd. ("**Heng Tai**") and its subsidiaries are principally engaged in (i) the trading of packaged foods, beverages, household consumable products and cold chain products; (ii) the trading of agri-products and the upstream farming business; (iii) the provision of cold chain logistics services and value-added post-harvest food processing and (iv) other businesses primarily arising from the securities brokerage business, the trademark sub-licensing in petrol business and the tourist retailing business.

   Based on its published financial information, Heng Tai had equity attributable to owners of HK$1,851,992,000 and HK$1,792,249,000 at 30 June 2019 and 31 December 2019 respectively. Heng Tai recorded a loss attributable to owners of HK$285,081,000 and HK$45,973,000 for the year ended 30 June 2019 and the six months ended 31 December 2019 respectively.

   As disclosed in Heng Tai's 2019/20 interim report, the operating environment had substantially worsened during the period under review. On the global front, the global economic slowdown and the trade tensions between Mainland China and the United States had severely weakened consumer confidence, which had resulted in weak market demand. In August 2019, Renminbi had fallen past the important psychological level of 7 against the United States dollar for the first time since 2008. The depreciation of Renminbi and increase in sales discount had put downward pressure on Heng Tai's gross profit margin. The fierce competition from domestic brands and products had remained a major threat to Heng Tai's traditional trading business, especially considering their price advantage and overwhelming advertisement. Heng Tai had needed to adopt more aggressive pricing strategies to maintain its competitiveness during the period under review. Looking forward, the coronavirus outbreak was the greatest uncertainty for the global economy, if the outbreak was a long-lasting one, there would be substantial consequences for Mainland China and the global economy. On top of that, there were many other uncertainties such as the rise on protectionism, the risk of stagflation, the outcome of Brexit and the trade disputes among different nations. Heng Tai would take a more cautious stance for its future development and continue to implement cost-saving initiatives, as well as ensure a strong and healthy financial position to weather any unforeseeable headwinds.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

7. Huanxi Media Group Ltd. ("**Huanxi Media**") and its subsidiaries are principally engaged in the media and entertainment and related businesses and other businesses.

   Based on its published financial information, Huanxi Media had equity attributable to owners of HK$1,130,230,000 and HK$1,127,516,000 at 31 December 2019 and 30 June 2020 respectively. Huanxi Media recorded a profit attributable to owners of HK$105,103,000 and HK$20,331,000 for the year ended 31 December 2019 and the six months ended 30 June 2020 respectively.

   As stated in Huanxi Media's interim results announcement, starting from mid-July, the cinemas in Mainland China resumed opening and operation, provided that effective prevention and control measures were implemented against the pandemic. Huanxi Media would continue to closely monitor the development of the film market and would arrange the optimal schedule for the release of its films, including eight several eagerly awaited productions. Such blockbusters were expected to be released in cinemas and would become growth drivers of Huanxi Media's business. Huanxi Media was confident that these films would generate considerable revenue. In addition, Huanxi Media seized the increasing paid viewing habit of video users and rising popularity of streaming media to develop "huanxi.com" into a selected film and TV content platform with a full membership system and paid viewing. More quality films and internet drama series would be introduced to optimise the bandwidth on the platform, and accelerate the growth of the user base. On top of films for which it had exclusive broadcast rights, "huanxi.com" would also launch two internet dramas produced by its shareholder directors, and a 12-episode internet drama produced and co-directed by Wong Kar Wai. Huanxi Media would leverage partnerships for "huanxi.com" to continuously work with leading internet and entertainment giants in Mainland China to complement each other's strengths, achieve mutual benefits, and further facilitate its own business development. The promotion of "huanxi.com" on the website and app of Tianjin Maoyan Weying Cultural Media Co., Ltd. and the plan of co-investing in films and TV projects, as well as the co-development of membership programmes with Huawei Video, 1905.com under CCTV6 and the TV terminal of BesTV, commenced. All of these moves allowed "huanxi.com" to expand its strengths in content and enhance its reach in streaming media. In conclusion, Huanxi Media had and would continue to assign top priority on investing in and producing more quality original films and TV drama series. Capitalising on its comprehensive strategic presence, Huanxi Media would develop a streaming media platform that matched market demand, to provide more superior quality content and strengthen the marketing and promotion of "huanxi.com" with internet and entertainment companies. It would advance in this direction so as to tap the benefits from the increased popularity of paid viewing and thereby further reinforce Huanxi Media's presence in the film and TV industry of Mainland China.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

8. Huayi Tencent Entertainment Company Ltd. ("**Huayi Tencent**") and its subsidiaries are principally engaged in (i) entertainment and media business, and (ii) provision of offline healthcare and wellness services.

   Based on its published financial information, Huayi Tencent had equity attributable to owners of HK$833,210,000 and HK$811,306,000 at 31 December 2019 and 30 June 2020 respectively. Huayi Tencent recorded a loss attributable to owners of HK$28,770,000 and HK$11,601,000 for the year ended 31 December 2019 and the six months ended 30 June 2020 respectively.

   As stated in Huayi Tencent's interim results announcement, the entire film industry was ambushed and hit hard by COVID-19 in the first half of 2020 with operations almost coming to a complete halt. In the second half of 2020 and the coming year, it was expected that film production in different countries/regions across the world would gradually resume after the implementation of respective disease prevention measures. With the projects financed and produced by Huayi Tencent within the past two financial years being completed in succession, it was expected that Huayi Tencent would have at least three or four films ready for release in the second half of 2020 and in 2021, provided that the epidemic stabilised. Amongst them, "Space Sweepers", a Korean science-fiction space film, was set for its theatrical release on 23 September in Korea. Huayi Tencent was confident that these films were on course for laudable box office results and enhance as a result Huayi Tencent's revenue of the Entertainment and Media Operations. The pandemic confined most of the public at home: they had reduced the frequency of going out and spending and now made their daily consumption, including the expense on entertainment, "online" or "at home" instead. This resulted in the blossom of the viewership and influence of many video streaming platforms. Huayi Tencent had been actively strengthening its cooperation with many of these international platforms so as to present more top-notch films and television dramas to the audience through different means. Films from the North America retained their tremendous prestige in the markets worldwide, with Hollywood blockbusters dominating in particular. It was envisaged that such supremacy would continue in the coming few years. Huayi Tencent had been actively seeking global opportunities for investing in and producing prime films and television dramas, and already confirmed its investment in several film projects, including "Moonfall", a Hollywood science-fiction and disaster epic which was expected to be released in late 2021 or 2022. Huayi Tencent would continue to develop projects with elite film studios and producers in North America and Europe, etc., so that different types of superb works might be continuously presented to the audience. In recent years the Korean films were eye-catching. These high-grossing blockbusters were laden with international awards and conquered worldwide audience. On a relatively lower budget, the Korean films were able to offer fashionable themes and trends, thereby

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

8. *(Continued)*

diversifying their appeals and broadening their audience base. Huayi Tencent believed that high-quality Korean films and television dramas would be in strong demand in other Asian markets and even the whole world, and would therefore strive for opportunities to invest in more prime Korean films and television dramas as well as step up its efforts in hoarding up quality Korean intellectual properties through HB Entertainment, its associate. As there were signs of the Korean entertainment and culture staging a comeback in Mainland China market, Huayi Tencent would seize the chance and introduce preeminent Korean films and television dramas into Mainland China. COVID-19 remained rampant, inhibiting and affecting the film markets everywhere. In order to minimise the repercussions, Huayi Tencent would continue to closely monitor the latest development of the epidemic, coordinate with distributors worldwide and adjust its business strategies properly. Huayi Tencent would also determine a suitable timetable for the release of films in Mainland China and the world in accordance with the actual time of the re-opening of theatres. As for the offline healthcare and wellness services, "Bayhood No. 9 Club" had resumed business in the latter half of March after the pandemic was gradually under control in Mainland China. It yielded stable proceeds. Huayi Tencent would stay tuned to the latest development of the pandemic and maintain the prevention measures in the club so that it might continue its steady operation.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

9. Kingston Financial Group Ltd. ("**Kingston Financial**") and its subsidiaries are principally engaged in the provision of a wide range of financial services which include securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory services, futures brokerage, and asset management services. Kingston Financial also provides gaming and hospitality services in Macau.

   Based on its published financial information, Kingston Financial had equity attributable to owners of HK$21,772,853,000 at 31 March 2020 and recorded a profit attributable to owners of HK$503,062,000 for the year ended 31 March 2020.

   As disclosed in its 2020 annual report, the outbreak and continued spread of COVID-19 had added uncertainties to the global and Hong Kong economies. In addition, the United States might pursue claims against Mainland China and threaten to impose tariffs on Mainland China under the pretext of COVID-19 damages, further intensifying the tension between Mainland China and the United States. However, countries had launched large-scale relief measures in terms of fiscal and monetary policies to address the unexpected economic and financial volatilities. Among them, the Federal Reserve had made two substantial interest rate cuts respectively on 3 and 15 March, and had announced measures such as unlimited bond purchases. The People's Bank of China successively had cut the reserve requirement ratio in January, March and April of this year, respectively to release market liquidity. At the same time, it had introduced more easing measures, including lowering the medium-term lending facility and introducing tax reduction and fee reduction policies, to help small and medium-sized enterprises survive the challenging times. With the COVID-19 epidemic gradually brought under control, Mainland China had begun resumption of work and production. As for the outlook for Mainland China's economic growth performance, it was estimated that gross domestic product (GDP) would bottom out by the end of the year with favorable expectations in the middle- and long-term. In addition, given the epidemic, fluctuation in the capital markets of Hong Kong was inevitable. However, it was expected that the launch of fiscal relief measures by the Hong Kong SAR Government, the advancement of the "Guangdong-Hong Kong-Macao Greater Bay Area" ("**GBA**") and the development of the "Belt and Road Initiative" would bring more opportunities for Hong Kong as an international financial hub. Kingston Financial would adhere to its prudent management strategy and rigorously deploy and implement development plans in line with market conditions, in order to grasp the opportunities arising from the Hong Kong capital market and the GBA market. It was still difficult to assess the negative impact of COVID-19 accurately on Macau's tourism and gaming industry. However, as the epidemic gradually subsided, travelers from Mainland China under the Individual Visit Scheme (IVS) were expected to return. The improvement of infrastructure inside and outside Macau had made it more convenient for tourists to visit Macau. In addition, Macau planned to request the central government to expand the IVS to cover more cities in Mainland China. Kingston Financial would regularly review its hotel and gaming business to respond timely to the changing environment and sustain its growth.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

10. KuangChi Science Ltd. ("**KuangChi Science**") and its subsidiaries are principally engaged in the research and development and manufacture of innovative products for future technology businesses, and the provision of other innovative technology solutions.

    Based on its published financial information, KuangChi Science had equity attributable to owners of HK$1,024,076,000 and HK$899,490,000 at 31 December 2019 and 30 June 2020 respectively. KuangChi Science recorded a loss attributable to owners of HK$294,436,000 and HK$11,448,000 for the year ended 31 December 2019 and the six months ended 30 June 2020 respectively.

    As stated in its interim results announcement, KuangChi Science carried out in-depth innovations in the technology for mobile front-end hardware devices by launching a novel type of Wearable Smart Helmet – a thermal imaging smart helmet with a view to providing assistance in the fight against the pandemic during the six months ended 30 June 2020. The Wearable Smart Helmet had a contactless temperature measurement feature. In airports, transportation hubs, subways, shopping malls and other places where it was easy for crowds to gather, contactless temperature measurement devices could quickly screen out people with a fever, thus significantly increasing the efficiency of temperature measurement and minimising the risk associated with public gatherings. During the six months ended 30 June 2020, the Wearable Smart Helmets were sold to 36 countries and regions in Mainland China and abroad, achieving a substantial increase in sales compared with the sales of the Wearable Smart Helmets during the corresponding period in 2019. During the six months ended 30 June 2020, the project sites of KuangChi Science, namely the Bund area in Shanghai, the railway station along Yangtze River and Jialing River in Chongqing, the commercial street in Foshan of Shunde, etc., served as the main sites for demonstrating the application of KuangChi Science's product "AI Overlay Network" in Mainland China, and continued to exert strong application value and received recognition from its customers, thus laying a sound foundation for KuangChi Science to promote the "AI" technology for national applications on an ongoing basis. KuangChi Science would continue to devote its efforts to the development of, and the making of, a breakthrough in new technologies, which would be integrated consistently to create stronger total solutions so as to enhance business capabilities. The management believed that with the evolution of the 5G network, KuangChi Science's "AI" technology would gradually be applied to more vertical industries in line with its own development goals and industrial needs, in particular the acceleration of the build-up of smart cities. AI would become a new impetus that boosts economic and social development, generate enormous demand for AI applications and hold market prospects in the field of smart cities. With regard to manpower build-up, KuangChi Science continued to focus on attracting and nurturing high-calibre employees as a core strategy by recruiting people who are experienced in the "AI" technology and high-tech software development-related fields around the globe. During the six months ended 30 June 2020, KuangChi Science focused on the build-up of a team of high-calibre employees, kept optimising the composition of its employees, strengthened the vitality of its employees, modified the employee succession plans in a timely manner in line with KuangChi Science's business development, and raised cost efficiency.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

11. Lajin Entertainment Network Group Ltd. ("**Lajin Entertainment**") and its subsidiaries are principally engaged in the business of investment and production of movie and media contents, and the provision of artist management services.

    Based on its published financial information, Lajin Entertainment had equity attributable to owners of Lajin Entertainment of HK$525,051,000 and HK$503,045,000 at 31 December 2019 and 30 June 2020 respectively. Lajin Entertainment recorded a loss attributable to owners of HK$87,588,000 and HK$14,462,000 for the year ended 31 December 2019 and the six months ended 30 June 2020 respectively.

    As disclosed in Lajin Entertainment's 2020 interim report, with the rapid development of video streaming websites and internet movies in Mainland China, Lajin Entertainment had continued to increase its investment in internet movies since last year and invested and produced a series of projects for its movies, TV programmes and internet contents business. Furthermore, Lajin Entertainment had also established its strategic co-operation relationship with numerous established companies that had the capacity for producing theatrical films, and fully leveraged on their experience and advantages in the field of internet-based products to remake classic films and television drama IP to produce quality internet movies with these partners. For its artist management business, Lajin Entertainment continuously optimised the portfolio of artists. Lajin Entertainment provided customised performance opportunities for the development of its new artists through the media and music projects produced and invested by it. On the other hand, Lajin Entertainment had developed a source of advertising income for artists via various channels such as online marketing and e-commerce. Lajin Entertainment would strive to secure more commercial advertisement jobs for its artists and leverage on the facilities available in its Lajin Base to provide necessary trainings and shooting/ production environment, enabling its future stars to shine. For its music business, Lajin Entertainment was active in exploring the incubation of music celebrities through music short videos and live broadcasts, and establishing a matrix of music celebrities, a marketing model where it had entered into contracts with multiple music celebrities by establishing a number of related media accounts where music short videos had released in collaboration with each other. In the future, such model could be realised from receiving rewards to music celebrities at live broadcast room, music copyright operation, advertisement placement and offline commercial performance. For its new media e-commerce business, Lajin Entertainment had reached co-operation intentions with numerous large-scale e-commerce platform companies and financial institutions, in relation to the provision of new media branding services based on short video and live streaming for clients to facilitate their brand marketing and to realise the transformation of their sales model. Lajin Entertainment had also reached a co-operation with a company engaged in the operation of fashion and luxury brands, to strengthen its supply chain capabilities and create the "vertical e-commerce celebrity" driven by supply chain, and meanwhile promote new products.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

12. Link-Asia International Co. Ltd. ("**Link-Asia**") and its subsidiaries are principally engaged in (i) electronic manufacturing services; (ii) marketing and distribution of communication products; and (iii) the securities and other assets investment.

    Based on its published financial information, Link-Asia had equity attributable to owners of HK$411,013,000 and HK$365,413,000 at 31 December 2019 and 30 June 2020 respectively. Link-Asia recorded a loss attributable to owners of HK$171,735,000 and HK$69,918,000 for the year ended 31 December 2019 and the six months ended 30 June 2020 respectively.

    As stated in Link-Asia's interim results announcement, although there was high uncertainty in the economic outlook, Link-Asia had confidence that the economy would fully recover from COVID-19 as the research and development in vaccine and medication kept making progress over time. In view of the coming second half year, Link-Asia would remain cautiously optimistic and adhere to the business strategy by carefully planning and deploying resources. In respect of its electronic manufacturing services and distribution of communication products businesses, Link-Asia would seek to bolster ties with its business partners in order to seize new opportunities. In terms of its electronic manufacturing services business, in particular, Link-Asia would direct greater effort towards the research and development of Internet of things (IoT), Wi-Fi and Bluetooth enabled products, and explore the market opportunity in Mainland China. Regarding to its real estate supply chain services business, Link-Asia would continue to proactively look for business opportunities in Southeast Asia and Pan-Asia, especially those opportunities arising from pessimistic market sentiments. Nevertheless, Link-Asia would actively consolidate its resources and act with prudence in pursuing continuous development in its core businesses, and would seek new business or investment opportunities to diversify its income sources.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

13. SuperRobotics Ltd. ("**SuperRobotics**") and its subsidiaries are principally engaged in the sale of beauty products, provision of therapy services and provision of engineering products and related services.

    Based on its published financial information, SuperRobotics had equity attributable to owners of HK$20,411,000 at 31 December 2019 and deficit attributable to owners of HK$29,443,000 at 30 June 2020. SuperRobotics recorded a loss attributable to owners of HK$168,425,000 and HK$51,179,000 for the year ended 31 December 2019 and the six months ended 30 June 2020 respectively.

    As disclosed in SuperRobotics' interim report, with the outbreak of COVID-19, there was a current consensus that the epidemic was a catalyst accelerating the application process of service robots in Mainland China. When the epidemic receded, the broad application prospects of service robots in medical, communications, security and other fields would be well known to the public, and the significant importance of artificial intelligence and robots would become increasingly prominent. Despite the huge market potential, SuperRobotics' business would be facing tremendous risks in a short period of time once external demand weakened for the reason that the epidemic had impacts on the service industry and manufacturing industry in its duration of time and intensity of influence. The severe global situation of the current epidemic would undoubtedly bring a lot of uncertainty to the domestic and international economy recovery in the short term. The social systems, economic development levels, social culture and actual political conditions of different countries had adversely affected the prevention and control of the epidemic in many ways. Normal global production and trade activities had been severely affected, increasing downward pressure on the global economy and even causing a recession. The global commodity markets had been influenced and the stock market had been further frustrated. Outbreak reductions and delays in resumption of work caused by epidemic prevention and control increase risks at global supply chain, and consumption, investment and import and export would also be affected. SuperRobotics needed to be prepared to deal with the worsening situation. In view of the persistent social conflict in Hong Kong and the severe economic downturn that had seriously affected the industry's living environment and the consumers, SuperRobotics expected its beauty business might not be optimistic.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

14. Town Health International Medical Group Ltd. ("**Town Health**") and its subsidiaries are principally engaged in healthcare business in Hong Kong, which comprises managed care, medical and dental clinics operation and provision of beauty and cosmetic medical services. The other major business segment of Town Health is healthcare business in Mainland China, which includes provision of hospital and clinic management services. Town Health is also involved in direct investment in healthcare sector, and investment in securities and properties.

    Based on its published financial information, Town Health had equity attributable to owners of HK$4,015,547,000 and HK$3,886,054,000 at 31 December 2019 and 30 June 2020 respectively. Town Health recorded a loss attributable to owners of HK$8,414,000 and HK$93,968,000 for the year ended 31 December 2019 and the six months ended 30 June 2020 respectively.

    As stated in its interim results announcement, Town Health would continue to develop its self-operated clinic chain business in Hong Kong, including expanding the service scope of orthopaedic specialist centres, acquiring new medical equipment, introducing full-time ophthalmologists and opening new dental service points in Tai Po and Sheung Shui, Hong Kong. In terms of its medical beauty business, The Beauty Medial ("**TBM**") of Town Health launched diversified services and offer one-stop services to Hong Kong customers. In Mainland China, given that TBM's sales in the region gradually recovered, facing the huge potential of medical beauty market in Mainland China, TBM would pool resources to develop in Mainland China in the future and focus on expanding business in major cities in the region. In terms of its hospital management business in Mainland China, Town Health's Nanshi Hospital of Nanyang ("**Nanshi Hospital**") would continue to enhance the construction of five specialty disciplines in the future, reinforce the influence of the five specialty disciplines and further improve the hospital's medical and technology level by strengthening external trainings, talent recruitment and cooperation with leading experts of the country. Meanwhile, Nanshi Hospital would adopt the "Main Hospital + Branch Hospital" system, with Nanshi Hospital being the main hospital, the Nanyang Ruishi Ophthalmology Hospital, a subsidiary of Town Health, and the rehabilitation branch being the branch hospitals, with an aim to provide more comprehensive healthcare services and improve overall efficiency, and work unremittingly to become the benchmark of 3A-grade hospital in Nanyang City. In terms of its health management centres business, Town Health's health management centre in Jinan City would continue to strengthen Town Health's cooperation with China Life Shandong, and provide health management services to China Life Group's VIP clients, focusing on preventive health care, chronic disease management and rehabilitation in the later stage of treatment, thereby strengthening customer loyalty. In addition, the government of Mainland China issued the new measures for the administration of health insurance, which stipulated that a certain percentage of health insurance products of insurance companies could be used to purchase health management services. Such policy would greatly benefit the future business development of the health management centre. Furthermore, the health management centre was in the process of making the application and would make efforts to obtain the government's approval for designated medical institution of the medical insurance system in the second half of 2020, and to include specialty healthcare and chronic disease management to the scope of services, so as to attract more customers.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

14. *(Continued)*

On 27 November 2017, the Securities and Futures Commission (the "**SFC**") issued a direction under Section 8(1) of the Securities and Futures (Stock Market Listing) Rules to suspend the trading in the shares of Town Health with effect from 9:00 a.m. on that date. Immediate prior to the suspension, the price of Town Health's shares closed at HK$0.69 per share on 24 November 2017.

On 31 July 2020, Town Health issued an announcement relating to the recent development of trading resumption. As stated in the announcement, the Exchange held discussions with the SFC and confirmed that the Exchange would, until further notice, withhold exercising its right to delist Town Health under Rule 6.01A(2)(b)(i) of the Rules Governing the Listing of Securities on the Exchange (the "**Listing Rules**") should trading in the securities of Town Health remain suspended on 31 January 2020. Town Health had been communicating with the SFC on the resumption application made by Town Health. Town Health would continue to communicate with the SFC and seek to resume the trading of its shares on the Exchange as soon as practicable.

The fair value of the shares in Town Health held by the Group of HK$4,712,000 at 30 June 2020 was based on a valuation report prepared by an independent professional valuer appointed by the Group.

15. Yunfeng Financial Group Ltd. ("**Yunfeng Financial**") and its subsidiaries are principally engaged in wealth management, securities broking, employee stock ownership plan administration, investment research, insurance brokerage, and principal investment.

Based on its published financial information, Yunfeng Financial had equity attributable to owners of HK$10,102,698,000 and HK$10,231,441,000 at 31 December 2019 and 30 June 2020 respectively. Yunfeng Financial recorded a profit attributable to owners of HK$255,619,000 and HK$109,181,000 for the year ended 31 December 2019 and the six months ended 30 June 2020 respectively.

As stated in its interim results announcement, faced with the challenges from the market and the economy, Yunfeng Financial would remain cautiously optimistic in the second half of 2020 and continue to assess the impact of COVID19 on its operational and financial conditions. Yunfeng Financial would continue to provide customers with high-quality products and services through online channels. Through the combination of the existing fintech service and traditional insurance business, Yunfeng Financial strived to enhance the competitiveness of YF Life and other business segments during this atypical period with a view to generate growth to the integrated financial business of Yunfeng Financial and became a sustainable financial group.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

16. Hsin Chong Group Holdings Ltd. ("**Hsin Chong**") and its subsidiaries are principally engaged in building construction, civil engineering, electrical and mechanical installation, property development and investment.

    Based on its latest published financial information, Hsin Chong had equity attributable to owners of HK$10,873,051,000 and HK$9,990,782,000 at 31 December 2017 and 30 June 2018 respectively. Hsin Chong recorded a loss attributable to owners of HK$774,382,000 and HK$704,973,000 for the year ended 31 December 2017 and the six months ended 30 June 2018 respectively.

    Trading in the shares of Hsin Chong was suspended on 3 April 2017. The entire carrying amount of the shares in Hsin Chong held by the Group of HK$31,500,000 was fully impaired in the year ended 31 December 2017.

    With effect from 9:00 a.m. on 17 December 2019, the Exchange cancelled Hsin Chong's listing. The shares in Hsin Chong are no longer listed and tradeable on the Exchange. The share certificates of the shares in Hsin Chong remain valid.

    On 20 January 2020, the Supreme Court of Bermuda ordered that Hsin Chong be wounded up under the provision of the Companies Act 1981 (Act) and the joint and several provisional liquidators of Hsin Chong be appointed.

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 future prospects. Accordingly, the directors closely monitor the above factors, particularly the fundamentals of each individual investee company in the Group's securities portfolio, and proactively adjust the Group's securities portfolio mix to improve its performance.

Operations Review *(Continued)*

Money lending business

During the six months ended 30 June 2020, the Group's money lending business generated interest income on loans amounting to HK$44,305,000, a 15% decrease from HK$52,362,000 in the previous period, and reported a segment loss (before taxation) of HK$100,918,000, whereas a segment profit of HK$44,522,000 was recorded in the previous period. The deterioration in segment results was mainly attributable to the increase in the allowance for credit losses on loan receivables as discussed below.

The average monthly outstanding balance of loan receivables (before accumulated allowance for credit losses) decreased from HK$1,157,980,000 in the six months ended 30 June 2019 to HK$990,379,000 in the six months ended 30 June 2020. The decrease in average monthly outstanding balance receivables was mainly due to two customers making loan repayment in the aggregate principal amount of HK$162,000,000 in the fourth quarter of 2019. During the six months ended 30 June 2020, the Group did not grant any new loans to customers but extended the final repayment dates of two existing loans in the aggregate principal amount of HK$255,000,000. The Group's customers made drawings in the aggregate principal amount of HK$5,800,000 from the existing loans and repaid HK$13,833,000 to the Group.

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$133,716,000 allowance for credit losses on loan receivables was made, a HK$137,360,000 increase as compared to the six months ended 30 June 2019. This significant increase was due to (i) the increase in the probability of default in calculating the 12-month expected credit losses of loans classified under stage 1: performing caused by the novel coronavirus pandemic, and (ii) the reclassification of two loans that two customers failed to pay interests as they fell due to stage 2: underperforming. At 30 June 2020, the Group's loan receivables, together with accrued interest receivables (before accumulated allowance for credit losses), amounted to HK$1,008,847,000 (31 December 2019: HK$1,000,071,000).

Operations Review *(Continued)*

Sale of jewelry products business

During the six months ended 30 June 2020, the Group's sale of jewelry products business generated revenue of HK$29,028,000, a 2% increase from HK$28,464,000 for the previous period, and reported a segment loss (before taxation) of HK$11,842,000, a 1,780% increase from HK$630,000 in the prior period. The increase in segment loss was due to (i) the incurring of a gross loss, (ii) a loss of inventories of HK$4,914,000 due to theft, and (iii) a HK$1,179,000 increase in the allowance for credit losses on trade receivables.

The Group's sale of jewelry business has been severely affected by the outbreak of novel coronavirus. Although the customers placed a considerable number of sales orders at the beginning of 2020, the Group was not able to fulfill these sales orders as the lockdown imposed by Mainland China disrupted the Group's supply chain for delivering jewelry products to its customers during the first quarter of 2020. Even the Group's supply chain mostly returned to normal in many ways in the second quarter of 2020, and the Group was not able to deliver jewelry products to its customers due to the lockdowns imposed in Europe and the United States to curb the spread of the novel coronavirus.

The incurring of the gross loss for the six months ended 30 June 2020 was mainly due to the higher mould and production costs for producing samples for business development and sales pitch. The Group's sale of jewelry products business reported a loss of inventories of HK$4,914,000 as certain jewelry products were stolen during a business trip to Europe for business development. Even though the Group is currently negotiating an insurance compensation for the stolen jewelry products, the stolen jewelry products have been derecognised. 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$1,187,000 was recognised, a HK$1,179,000 increase from HK$8,000 for the six months ended 30 June 2019. This increase was due to the increase in the probability of default in calculating the 12-month expected credit losses of trade receivables caused by the novel coronavirus pandemic.

At 30 June 2020, the Group's inventories of jewelry products, including raw materials, work-in-progress and finished goods, amounted to HK$28,864,000 (31 December 2019: HK$32,000,000) and the Group's sale of jewelry products business had undelivered sales orders totalling to HK$1,200,000 (31 December 2019: HK$800,000).

Operations Review *(Continued)*

Property investment business

During the six months ended 30 June 2020, the Group's property investment business generated rental income of HK$12,470,000, a 4% decrease from HK$12,970,000 for the six months ended 30 June 2019, and recorded a segment loss (before taxation) of HK$46,555,000, an 18% increase from HK$39,383,000 for the six months ended 30 June 2019. The deterioration of segment results was attributable to a HK$13,000,000 increase in loss on change in the fair value of investment properties. Of the total rental income, HK$9,922,000 was generated from the assets of the Club and HK$2,548,000 was generated from the investment property portion of the Shun Tak Property.

As the impact of novel coronavirus on the hotel industry is unprecedented and unpredictable, hotels face the prospect of a long recovery. As such, the Group has modified its business strategy for the second and third phases of the Subject Land, in which the units of the building complex erected will lease out as high-end serviced apartments on a long-term or short-term lease basis. In leasing the serviced apartments on a long-lease basis, the tenants prepay the rental of the lease period in stages before the lease commencement date. On the other hand, the development costs will significantly reduce as the interior of the building complex is no longer decorated at a five-star hotel standard. Accordingly, the total development costs reduce significantly from RMB904,425,000 (equivalent to HK$990,164,000) to RMB650,000,000 (equivalent to HK$711,620,000), which is financed by the internal resources of the Group, income generated from the Group's property investment operations, prepaid rental for long-term leases, and external borrowings. The directors believe that the modified business strategy will not only improve the Group's cash flow, but also reduce the annual operating and maintenance expenses.

In May 2020, the Group invited tenders for the building works and awarded the tender to a Mainland Chinese construction company in June 2020. The building works have commenced in July 2020 and expect to complete in May 2021. After the building works, the building complex erected on the second and third phases of the Subject Land is put under interior decoration and prepared for buildings inspection by the relevant governmental authorities. According to the development plan, the development of the second and third phases of the Subject Land completes in January 2022. Marketing activities in leasing the serviced apartments have launched in August 2020.

Operations Review *(Continued)*

Property investment business *(Continued)*

The Group has temporarily suspended the development of the cultural business as the Group is in discussion with a potential joint venture partner relating to the proposed setting up of a football training school under the brand of a football club of the Premier League or the Campeonato Nacional de Liga de Primera División on the first phase of the Subject Land. According to the memorandum of understanding dated 29 April 2020, the proposed setting up of the football training school shall include but not limit to (i) the leasing of the first phase of the Subject Land to the potential joint venture partner for setting up the football training school and organising sports events, (ii) the establishment of a jointly controlled operation, in which Smart Title Limited and the potential joint venture partner combine their operations, resources, and expertise to set up the football training school and share the profit generated from the football training school, and (iii) the formation of a jointly controlled entity to set up the football training school. The final arrangement for the proposed setting up of the football training school shall be subject to the official written approval from the football club of the Premier League or the Campeonato Nacional de Liga de Primera División. As at the date of this interim report, discussion with the potential joint venture partner is still underway and no terms of the proposed setting up of a football training school have reached.

Given the modification of the business strategy for the second and third phases of the Subject Land and the temporary suspension of the development of the cultural business, the relevant discounted cash flow projections used to measure value in use for determining the recoverable amount of the cash generating unit of Smart Title Limited have adjusted to reflect the impacts on the expected cash inflows and outflows resulted from the modification and the suspension.

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 was required.

Operations Review *(Continued)*

Property investment business *(Continued)*

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

At the end of the reporting period, the directors measured the investment property portion of the Shun Tak Property at fair value. Based on the property valuation report prepared by the independent qualified valuer, the fair value of the investment property portion of the Shun Tak Property decreased from HK$159,200,000 at 31 December 2019 to HK$133,500,000 at 30 June 2020. The decrease in the fair value was due to the current subdued office demand and rental correction cycle. Accordingly, the Group recognised the loss of HK$25,700,000 arising on change in the 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 2020, no conversion of the term loan was taken place as the unlisted investment holding company has been doing a fund raising exercise. 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$62,861,000 at 31 December 2019 to HK$38,954,000 at 30 June 2020 and Elite Prosperous recognised a loss of HK$23,907,000 arising on change in the fair value of term loan in profit or loss. During the six months ended 30 June 2020, Elite Prosperous reported a loss of HK$23,907,000 and the Group shared a loss of HK$11,714,000 from Elite Prosperous.

Operations Review *(Continued)*

Investments in associates *(Continued)*

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, futures, and corporate finance advisory and asset management services. During the six months ended 30 June 2020, the Group further acquired 31,500,000 shares in Global Mastermind at a consideration of HK$1,477,000, and the Group's shareholding interests in Global Mastermind increased from 29.04% to 29.77% accordingly. The further acquisition resulted in a gain on bargaining purchase of an associate of HK$1,849,000. During the six months ended 30 June 2020, Global Mastermind reported a loss of HK$161,335,000, a 218% deterioration as compared to the previous period, and the Group shared a loss of HK$46,852,000 from Global Mastermind, which was partially offset by the gain on bargaining purchase of an associate of HK$1,849,000. The deterioration in Global Mastermind's results for the six months ended 30 June 2020 was mainly due to (i) a dramatic slump in its travel business segment, (ii) a significant increase in impairment loss on its trade and loan receivables, and (iii) a significant increase in loss on fair value changes of its investment properties.

China Healthwise is an investment holding company and its subsidiaries are principally engaged in sales of toys and Chinese health products, money lending business, and investment in financial instruments. During the six months ended 30 June 2020, China Healthwise repurchased and cancelled 112,400,000 of its issued shares, and the Group's shareholding interests in China Healthwise increased from 18.86% to 19.14% correspondingly. The repurchase and cancellation resulted in a gain on deemed acquisition of an associate of HK$144,000. During the six months ended 30 June 2020, China Healthwise reported a loss of HK$38,617,000, a 51% improvement as compared to its results for the six months ended 30 September 2019, and the Group shared a loss of HK$7,283,000 from China Healthwise, which was partially offset by the gain on deemed acquisition of an associate of HK$144,000. The improvement in China Healthwise's results for the six months ended 30 June 2020 was mainly due to a significant decrease in loss arising on change in the fair value of its financial assets at FVTPL.

Future Prospects

The global economy has suffered a significant injury with the novel coronavirus pandemic. Without a vaccine or efficient testing, the global economy will struggle to make a full recovery. As policymakers and businesses are struggling with the impact of the novel coronavirus, the United States has stepped up its pressure on Mainland China via export restrictions on technology products and threatened to delist Chinese companies from US stock exchanges. The accelerating tensions between the United States and Mainland China can upset the recovery. Against this backdrop, it is expected the road to full recovery is long.

The scale of monetary and fiscal stimulus around the world is unprecedented. Risk assets across the globe have staged a robust rebound since the March lows. It is believed that central banks will keep the policy ultra-accommodative until the novel coronavirus is fully contained. In this environment, the directors expect equities to perform well given the massive monetary policy support that has provided. The directors will 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 2020.

As the development of the second and third phases of the Subject Land has commenced, internal cash resources of the Group are allocated to finance the building works. The directors slow down the pace of the Group's money lending business and closely monitor the performance of the loan portfolio, especially in the repayment status of each customer. It is expected that the interest income on loans generated from the Group's money lending business in the second half of 2020 will be slightly less than that in the first half of 2020.

As the novel coronavirus severely impairs global demand, the directors expect the performance of the Group's sales of jewelry business will deteriorate further in the second half of 2020.

Future Prospects *(Continued)*

The business development on the first phase of the Subject Land is still underway and the Group has just commenced the building works of the second and third phases of the Subject Land. The directors expect the performance of the Group's property investment business in the second half of 2020 will be mostly the same as the first half of 2020. Given that the building works of the second and third phases of the Subject Land have just commenced, the directors will put more effort and resources to the Group's property investment business in the coming years to ensure the building works completes as planned.

Due to economic and market uncertainty, the directors remain cautious and watchful over the development of the novel coronavirus pandemic and its impacts. The directors are committed to lead the Group to weather the challenges and continue to cautiously monitor the business environment and strengthen the Group's business foundation by focusing its existing businesses.

Events after the End of the Reporting Period

On 25 August 2017, the Company issued the Secured Notes in an aggregate principal amount of HK$300,000,000 to the subscriber. On 24 August 2020, the Company made a partial redemption of HK$30,000,000 of the Secured Notes. The maturity date of the Secured Notes fell on 25 August 2020. The Company has been in negotiations with the holders of the Secured Notes for a one year extension to the maturity date of the Secured Notes, and the holders of the Secured Notes have informed the Company that it is agreeable to such extension. The Company is currently in discussion with the holders of the Secured Notes as to the formal terms and conditions for such extension. As at the date of this interim report, the outstanding principal amount of the Secured Notes is HK$270,000,000.

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 2020 (2019: Nil).

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

At 30 June 2020, 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

Ordinary shares of HK$0.01 each of the Company

		Number of ordinary shares held and capacity			
Name of director	*Notes*	**Beneficial owner**	**Held by controlled corporations**	**Total**	**Percentage of the issued share capital of the Company**
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. Cheung Kwok Fan	*1 and 2*	–	583,832,803	583,832,803	15.29%
Mr. Chan Kin Wah Billy		6,319,500	–	6,319,500	0.17%

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

Long positions *(Continued)*

Ordinary shares of HK$0.01 each of the Company *(Continued)*

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. Cheung Kwok Fan.

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.

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 at 30 June 2020.

Share Options

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 2019 annual report.

At 1 January 2020 and 30 June 2020, there were no share options outstanding. During the six months ended 30 June 2020, no share options were granted.

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

Substantial Shareholders

At 30 June 2020, 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

Ordinary shares of HK$0.01 each of the Company

		Number of ordinary shares held and capacity				
Name of shareholder	*Notes*	**Beneficial owner**	**Person having a security interest in shares**	**Held by controlled corporation(s)**	**Total**	**Percentage of the issued share capital of the Company**
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. Cheung Kwok Fan	*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	*4 and 5*	–	–	583,832,803	583,832,803	15.28%
Best Forth Limited	*4 and 5*	–	–	583,832,803	583,832,803	15.28%
Ms. Chu Yuet Wah	*4, 5 and 6*	–	–	583,832,815	583,832,815	15.28%

Substantial Shareholders *(Continued)*

Long positions *(Continued)*

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. Cheung Kwok Fan.

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.

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 2020.

Purchase, Redemption or Sale of the Company's Listed Securities

During the six months ended 30 June 2020, 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 2020, 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 2020, Mr. Lei Hong Wai has taken up the roles of the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Lei possesses essential leadership skills and has extensive experience in corporate management and business development. The Board is of the view that currently vesting the roles of the Chairman and the Chief Executive Officer in the same person provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies; and

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

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules for securities transactions by the directors of the Company. Having made specific enquiry, all directors confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2020.

Review of Financial Information

The Audit Committee has reviewed the 2020 interim report and the condensed consolidated financial statements for the six months ended 30 June 2020 and agreed to the accounting policies and practices adopted by the Company. In addition, the Company's external auditors, HLB Hodgson Impey Cheng Limited, has reviewed the condensed consolidated financial statements for the six months ended 30 June 2020 in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants.

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, 31 August 2020