ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

2019
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

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Interim Results

The board of directors (the "**Board**") of Eternity Investment Limited (the "**Company**") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2019 together with the comparative figures for 2018 as follows:

Condensed Consolidated Statement of Profit or Loss

		Six months ended 30 June	
	Notes	**2019** **HK$'000** **(Unaudited)**	2018 HK$'000 (Unaudited)
Revenue	*4*	**91,085**	101,629
Cost of sales		**(31,430)**	(29,266)
Gross profit		**59,655**	72,363
Investment and other income	*5*	**1,995**	1,113
Other gains and losses	*6*	**(70,342)**	(208,702)
Selling and distribution expenses		**(2,473)**	(2,188)
Administrative expenses		**(45,659)**	(52,119)
Share of results of associates		**(27,546)**	3,877
Loss from operations		**(84,370)**	(185,656)
Finance costs	*7*	**(24,261)**	(27,631)
Loss before taxation		**(108,631)**	(213,287)
Income tax expense	*8*	**(1,480)**	(152)
Loss for the period	*9*	**(110,111)**	(213,439)
Loss for the period attributable to:			
Owners of the Company		**(107,958)**	(212,007)
Non-controlling interests		**(2,153)**	(1,432)
		(110,111)	(213,439)
Interim dividend	*10*	**–**	–
Loss per share	*11*		
Basic and diluted		**HK(2.83) cents**	HK(5.55) cents

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(110,111)**	(213,439)
Other comprehensive income/(expense):		
Item that will not be reclassified to profit or loss:		
Share of other comprehensive income of an associate	**220**	1,303
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations	**(4,455)**	(19,955)
Reclassification adjustment for a foreign operation disposed of	**–**	10,651
Total comprehensive expense for the period	**(114,346)**	(221,440)
Total comprehensive expense for the period attributable to:		
Owners of the Company	**(112,243)**	(220,056)
Non-controlling interests	**(2,103)**	(1,384)
	(114,346)	(221,440)

Condensed Consolidated Statement of Financial Position

	Notes	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	**543,620**	535,761
Right-of-use assets	*13*	**232,819**	—
Investment properties	*14*	**162,900**	175,600
Intangible assets		**855,316**	868,411
Goodwill		**277,312**	278,407
Interests in associates	*15*	**224,057**	251,383
Deferred tax assets		**15,271**	15,083
Prepayments and other receivables		**28,274**	50,104
Loan receivables	*16*	**348,857**	353,021
		2,688,426	2,527,770
Current assets			
Inventories		**36,689**	37,471
Loan receivables	*16*	**739,985**	815,718
Trade receivables	*17*	**34,905**	32,974
Deposits, prepayments and other receivables		**138,270**	129,087
Financial assets at fair value through profit or loss		**327,563**	287,302
Tax recoverable		**243**	243
Cash and cash equivalents		**40,552**	140,628
		1,318,207	1,443,423
Total assets		**4,006,633**	3,971,193
EQUITY			
Share capital	*18*	**38,196**	38,196
Reserves		**2,505,265**	2,617,508
Equity attributable to owners of the Company		**2,543,461**	2,655,704
Non-controlling interests		**(4,729)**	(2,626)
Total equity		**2,538,732**	2,653,078

Condensed Consolidated Statement of Financial Position *(Continued)*

	Notes	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
LIABILITIES			
Current liabilities			
Trade payables	*19*	**4,852**	3,593
Deposits received, accruals and other payables		**102,786**	121,233
Receipts in advance		**37,217**	41,235
Tax payables		**90,761**	86,664
Bank borrowings	*20*	**154,970**	157,201
Other borrowings	*21*	**200,000**	200,000
Lease liabilities		**450**	—
Amount due to a director	*22*	**—**	50,000
Amount due to an associate		**1,967**	—
		593,003	659,926
Non-current liabilities			
Deposit received and other payables		**68,880**	102,535
Receipts in advance		**5,400**	16,200
Lease liabilities		**263,257**	—
Secured notes	*23*	**299,723**	299,611
Deferred tax liabilities		**237,638**	239,843
		874,898	658,189
Total liabilities		**1,467,901**	1,318,115
Total equity and liabilities		**4,006,633**	3,971,193
Net current assets		**725,204**	783,497
Total assets less current liabilities		**3,413,630**	3,311,267

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 2019

	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$'000 (Unaudited)	Fair value through other comprehensive income reserve HK$'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 2018	38,196	1,807,051	17,761	404,663	–	10,523	(23,806)	(910)	1,012,911	3,266,389	(84)	3,266,305
Loss for the period	–	–	–	–	–	–	–	–	(212,007)	(212,007)	(1,432)	(213,439)
Other comprehensive income/(expense) for the period												
Share of other comprehensive income of an associate	–	–	–	–	–	–	–	1,303	–	1,303	–	1,303
Exchange differences arising on translating foreign operations	–	–	–	–	–	–	(20,003)	–	–	(20,003)	48	(19,955)
Reclassification adjustment for a foreign operation disposed of	–	–	–	–	–	–	10,651	–	–	10,651	–	10,651
Total comprehensive (expense)/income for the period	–	–	–	–	–	–	(9,352)	1,303	(212,007)	(220,056)	(1,384)	(221,440)
Recognition of equity-settled share-based payment	–	–	–	–	–	9,063	–	–	–	9,063	–	9,063
Release on lapse of equity-settled share-based payment	–	–	–	–	–	(10,523)	–	–	10,523	–	–	–
At 30 June 2018 (Unaudited)	38,196	1,807,051	17,761	404,663	–	9,063	(33,158)	393	811,427	3,055,396	(1,468)	3,053,928
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**

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash (used in)/generated from operations	**(9,541)**	299,103
Tax paid	**—**	(912)
Net cash (used in)/ generated from operating activities	**(9,541)**	298,191
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash inflow on disposal of subsidiaries	**—**	162,286
Purchase of property, plant and equipment	**(14,715)**	(35,669)
Acquisition of interest in an associate	**—**	(153,142)
Net cash inflow arising on other investing activities	**628**	964
Net cash used in investing activities	**(14,087)**	(25,561)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from a director	**25,000**	—
Advance from a shareholder	**7,200**	—
Advance from an associate	**1,967**	—
Interest paid	**(27,916)**	(30,208)
Proceeds from bank borrowings	**15,440**	30,852
Proceeds from other borrowings	**200,000**	—
Repayment of bank borrowings	**(17,671)**	(36,465)
Repayment of other borrowings	**(200,000)**	(300,000)
Repayment of lease liabilities	**(221)**	—
Repayment to a director	**(75,000)**	—
Repayment to a shareholder	**(7,200)**	—
Net cash used in financing activities	**(78,401)**	(335,821)

Condensed Consolidated Statement of Cash Flows *(Continued)*

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net decrease in cash and cash equivalents	**(102,029)**	(63,191)
Cash and cash equivalents at the beginning of the reporting period	**140,628**	225,010
Effect of foreign exchange rate changes	**1,953**	(420)
Cash and cash equivalents at the end of the reporting period	**40,552**	161,399

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

1. Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2019 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 2018. Except as described in note 2 below, the accounting policies and methods of computation used in the condensed consolidated financial statements are the same as those presented in the audited consolidated financial statements for the year ended 31 December 2018.

2. Application of new and amendments to Hong Kong Financial Reporting Standards

In the current period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosure set out in the condensed consolidated financial statements.

2. Application of new and amendments to Hong Kong Financial Reporting Standards *(Continued)*

2.1 HKFRS 16 *Leases*

The Group has applied HKFRS 16 *Leases* for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases*, and the related interpretations.

(A) Key change in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exception to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. Application of new and amendments to Hong Kong Financial Reporting Standards *(Continued)*

2.1 HKFRS 16 *Leases* *(Continued)*

(A) Key change in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

2. Application of new and amendments to Hong Kong Financial Reporting Standards *(Continued)*

2.1 HKFRS 16 *Leases* *(Continued)*

(A) Key change in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

2. Application of new and amendments to Hong Kong Financial Reporting Standards *(Continued)*

2.1 HKFRS 16 *Leases* *(Continued)*

(A) Key change in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

2. Application of new and amendments to Hong Kong Financial Reporting Standards *(Continued)*

2.1 HKFRS 16 *Leases* *(Continued)*

(A) Key change in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease portion of lease liabilities results in net deductible temporary differences.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 *Revenue from Contracts with Customers* to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease components on the basis of their relative stand-alone selling prices.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2. Application of new and amendments to Hong Kong Financial Reporting Standards *(Continued)*

2.1 HKFRS 16 *Leases* *(Continued)*

(B) Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments discounted using the Group's incremental borrowing rate at 1 January 2019 and included in non-current liabilities or current liabilities.

Right-of-use assets were measured at the amount of the lease liabilities. All these assets were assessed for any impairment based on HKAS 36 *Impairment of Assets* on 1 January 2019. The Group elected to present the right-of-use assets separately in the condensed consolidated statement of financial position.

2. Application of new and amendments to Hong Kong Financial Reporting Standards *(Continued)*

2.1 HKFRS 16 *Leases* *(Continued)*

(B) Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iii. use hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$264,967,000 and right-of-use assets of HK$236,781,000 relating to (i) the rights to construct and operate the club facilities of a membership golf club and resort in Beijing, Mainland China (the "**Club**"), 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 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.9%.

2. Application of new and amendments to Hong Kong Financial Reporting Standards *(Continued)*

2.1 HKFRS 16 *Leases* *(Continued)*

(B) Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed at 31 December 2018	701,449
Less: recognition exemption — short-term leases	(4,829)
Undiscounted lease liabilities relating to operating leases recognised upon application of HKFRS 16	696,620
Weighted average lessee's incremental borrowing rate at 1 January 2019	4.9%
Lease liabilities at 1 January 2019	264,967
Analysed as:	
Current	441
Non-current	264,526
	264,967

2. Application of new and amendments to Hong Kong Financial Reporting Standards *(Continued)*

2.1 HKFRS 16 *Leases* *(Continued)*

(B) Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

The carrying amount of right-of-use assets at 1 January 2019 comprises the following:

	Right-of-use assets *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	264,967
Less: accrued lease liabilities relating to the operating rights in respect of the Club and the Subject Land at 1 January 2019 *(Note)*	(28,186)
	236,781
By class:	
Golf club	82,912
Leasehold land	153,869
	236,781

Note: These relate to the accrued lease liabilities of operating leases for the operating rights in respect of the Club and the Subject Land in which the lease payments increase progressively by fixed percentage. The carrying amount of the accrued lease liabilities at 1 January 2019 was adjusted to right-of-use assets at transition.

2. Application of new and amendments to Hong Kong Financial Reporting Standards *(Continued)*

2.1 HKFRS 16 *Leases* *(Continued)*

(B) Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessor

In accordance with the transitional provision in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Impact on the condensed consolidated statement of financial position

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 *HK$'000*	**Adjustments** *HK$'000*	**Carrying amounts under HKFRS 16 at 1 January 2019** *HK$'000*
Non-current assets			
Right-of-use assets	–	236,781	236,781
Current liabilities			
Lease liabilities	–	(441)	(441)
Non-current liabilities			
Deposit received and other payables	(102,535)	28,186	(74,349)
Lease liabilities	–	(264,526)	(264,526)

2. Application of new and amendments to Hong Kong Financial Reporting Standards *(Continued)*

2.2 Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that the Group applies HKFRS 9 *Financial Instruments*, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity methods is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by HKAS 28 *Investments in Associates and Joint Ventures* (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

At 31 December 2018, amount due from an associate of HK$38,437,000 is considered as long-term interests that, in substance forms part of the Group's net investment in the associate. However, the application has had no impact as the Group's existing accounting policies are consistent with the requirements clarified by the amendments.

3. Operating segments

The Group's operating segments have been determined based on the information reported to the Chairman of the Board, being the chief operating decision maker, that are used for performance assessment and to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. The Group currently has four operating segments:

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

3. Operating segments *(Continued)*

Segment revenue and results

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)

3. **Operating segments** *(Continued)*

Segment revenue and results *(Continued)*

For the six months ended 30 June 2018

	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	23,519	7,009	49,950	21,151	101,629
Segment profit/(loss)	11,438	(214,823)	38,705	(3,085)	(167,765)
Interest income on bank deposits					117
Unallocated corporate income					335
Unallocated corporate expenses					(11,227)
Loss on disposal of subsidiaries					(10,993)
Finance costs					(27,631)
Share of results of associates					3,877
Loss before taxation					(213,287)
Income tax expense					(152)
Loss for the period					(213,439)

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

Segment results represent (loss incurred)/profit earned by each segment without allocation of central administrative expenses including directors' emoluments, share of results of associates, certain investment and other income, certain other gains and losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

3. Operating segments *(Continued)*

Segment assets and liabilities

At 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 assets					
– Hong Kong	398,267	518,216	1,106,510	69,337	2,092,330
– The People's Republic of China (the "**PRC**")	1,867,289	–	–	–	1,867,289
	2,265,556	518,216	1,106,510	69,337	3,959,619
Unallocated corporate assets					47,014
Consolidated total assets					4,006,633
Segment liabilities					
– Hong Kong	(121,388)	(12,111)	(3,913)	(39,033)	(176,445)
– The PRC	(756,333)	–	–	–	(756,333)
	(877,721)	(12,111)	(3,913)	(39,033)	(932,778)
Unallocated corporate liabilities					(535,123)
Consolidated total liabilities					(1,467,901)

3. Operating segments *(Continued)*

Segment assets and liabilities *(Continued)*

At 31 December 2018

	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	416,066	569,728	1,188,093	68,647	2,242,534
– The PRC	1,646,961	–	–	–	1,646,961
	2,063,027	569,728	1,188,093	68,647	3,889,495
Unallocated corporate assets					81,698
Consolidated total assets					3,971,193
Segment liabilities					
– Hong Kong	(126,477)	(12,112)	(73,952)	(37,006)	(249,547)
– The PRC	(545,473)	–	–	–	(545,473)
	(671,950)	(12,112)	(73,952)	(37,006)	(795,020)
Unallocated corporate liabilities					(523,095)
Consolidated total liabilities					(1,318,115)

3. **Operating segments** *(Continued)*

Segment assets and liabilities *(Continued)*

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, certain deposits, prepayments, other receivables, and cash and cash equivalents that are not attributable to individual segments. Assets used jointly by individual segments are allocated on the basis of the revenues earned by individual segments; and

- all liabilities are allocated to operating segments other than other borrowings, secured notes, current tax payables, certain accruals, 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.

Other segment information

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					
Addition 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	(1,275)	–	–	–	(1,275)
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

3. Operating segments *(Continued)*

Other segment information *(Continued)*

For the six months ended 30 June 2018

	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 profit/(loss) and segment assets					
Addition to property, plant and equipment	35,699	–	–	–	35,699
Allowance for credit losses on trade receivables	–	–	–	(477)	(477)
Amortisation of intangible assets	(10,759)	–	–	–	(10,759)
Depreciation of property, plant and equipment	(10,911)	–	–	(30)	(10,941)
Dividend income	–	661	–	–	661
Gain arising on change in fair value of investment properties	24,700	–	–	–	24,700
Loss arising on change in fair value of financial assets at FVTPL	–	(222,400)	–	–	(222,400)
Loss on disposal of property, plant and equipment	(9)	–	–	–	(9)

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:

	Six months ended 30 June	
	2019 ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Unaudited)
Australia	**98**	—
Europe	**6,126**	5,227
Hong Kong	**73,507**	73,845
The PRC	**10,422**	22,557
The United States of America	**932**	—
	91,085	101,629

4. Revenue

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sale of jewelry products	**28,464**	21,151
Timing of revenue recognition		
A point in time	**28,464**	21,151

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sale of jewelry products	**28,464**	21,151
Revenue from contracts with customers	**28,464**	21,151
Sale of financial assets at FVTPL, net	**(2,711)**	7,009
Interest income on loans	**52,362**	49,950
Rental income	**12,970**	23,519
Total revenue	**91,085**	101,629

4. Revenue (Continued)

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Proceeds from sale of financial assets at FVTPL	**49,515**	84,193
Carrying amounts of financial assets at FVTPL sold plus transaction costs	**(52,226)**	(77,184)
	(2,711)	7,009

5. Investment and other income

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend income	**670**	661
Interest income on bank deposits	**33**	117
Interest income on other receivables	**1,292**	—
Sundry income	**—**	335
	1,995	1,113

6. Other gains and losses

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Gain/(loss) on disposal of property, plant and equipment	**54**	(9)
Loss arising on change in fair value of financial assets at FVTPL	**(57,696)**	(222,400)
(Loss)/gain arising on change in fair value of investment properties	**(12,700)**	24,700
Loss on disposal of subsidiaries *(note 24)*	**—**	(10,993)
	(70,342)	(208,702)

7. Finance costs

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**2,103**	7,232
Interest on other borrowings	**7,934**	8,394
Interest on lease liabilities	**6,590**	—
Imputed interest on secured notes	**12,013**	12,005
	28,640	27,631
Less: interest on lease liabilities capitalised in the cost of qualifying assets	**(4,379)**	—
	24,261	27,631

8. Income tax expense

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
— current tax	**(3,436)**	(2,859)
PRC Enterprise Income Tax		
— current tax	**(535)**	(915)
Deferred taxation credit	**2,491**	3,622
	(1,480)	(152)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, 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, starting from 2018, 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.

9. Loss for the period

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Allowance for credit losses on other receivables	**3,878**	—
Allowance for credit losses on trade receivables	**8**	477
Amortisation of intangible assets (included in administrative expenses)	**10,159**	10,759
Cost of inventories sold	**23,898**	18,998
Depreciation of property, plant and equipment	**11,493**	10,941
Depreciation of right-of-use assets	**3,087**	—
Less: depreciation capitalised in the cost of qualifying assets	**(1,812)**	—
	1,275	—
Operating lease rentals in respect of rental premises	**–**	1,094
Operating lease rentals in respect of operating rights	**–**	8,742
Less: operating lease rentals capitalised in the cost of qualifying assets	**–**	(5,783)
	–	2,959
Rental expenses in respect of short-term leases	**435**	—
Staff costs (including directors' emoluments):		
— salaries and allowances	**22,446**	21,999
— contributions to retirement benefits scheme	**229**	159
— equity-settled share-based payment expenses	**–**	9,063
	22,675	31,221

9. Loss for the period *(Continued)*

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

	Six months ended 30 June	
	2019	2018
	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	**(12,970)**	(23,519)
Less: direct operating expenses incurred for investment properties and operating rights that generated rental income during the period	**9,049**	10,268
Less: direct operating expenses incurred for investment properties and operating rights that did not generate rental income during the period	**110**	369
	(3,811)	(12,882)

10. Interim dividend

No interim dividend was paid, declared or proposed during the six months ended 30 June 2019 (six months ended 30 June 2018: Nil). The Board has determined that no interim dividend will be paid in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

11. 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:

	Six months ended 30 June	
	2019	2018
	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	**(107,958)**	(212,007)

	Six months ended 30 June	
	2019	2018
	'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

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options as they had an anti-dilutive effect to the basic loss per share for the six months ended 30 June 2018.

12. Movements in property, plant and equipment

During the six months ended 30 June 2019, the Group acquired certain items of property, plant and equipment with an aggregate cost of HK$20,792,000 (2018: HK$35,669,000). During the six months ended 30 June 2019, the Group disposed of certain items of property, plant and equipment with an aggregate carrying amount of HK$16,000 (2018: HK$9,000), resulting in a gain on disposal of HK$54,000 (2018: a loss on disposal of HK$9,000).

13. Movements in right-of-use assets

Prior to 1 January 2019, the Group entered into two lease agreements relating to (i) the rights to construct and operate the Club up to 31 December 2051, and (ii) the rights to develop and operate the Subject Land and the rights to manage the properties erected on the Subject Land up to 30 January 2062. On the date of application of HKFRS 16, the Group recognised HK$82,912,000 right-of-use asset and HK$89,025,000 lease liability relating to the Club, and HK$153,869,000 right-of-use asset and HK$175,942,000 lease liability relating to the Subject Land.

14. 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 2018. The resulting decrease in fair value of investment properties of HK$12,700,000 has been recognised directly in profit or loss for the six months ended 30 June 2019 (2018: an increase in fair value of HK$24,700,000).

15. Interests in associates

	At 30 June 2019 ***HK$'000*** **(Unaudited)**	At 31 December 2018 *HK$'000* (Audited)
Listed shares in Hong Kong		
— Global Mastermind Holdings Limited ("**Global Mastermind**")	**180,142**	194,656
Unlisted shares in Hong Kong		
— Elite Prosperous Investment Limited ("**Elite Prosperous**")	**43,322**	56,131
— China Hong Kong Money Limited ("**China Hong Kong Money**")	**593**	596
	224,057	251,383
Market value of listed shares		
— Global Mastermind	**99,020**	113,873

15. Interests in associates *(Continued)*

Global Mastermind

On 29 June 2018, the Group acquired 1,020,000,000 shares in Global Mastermind, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM operated by The Stock Exchange of Hong Kong Limited ("**GEM**") under stock code: 8063, at a consideration of HK$153,000,000. Prior to the acquisition, the Group already held 217,750,000 shares in Global Mastermind, which were accounted for as "financial assets at FVTPL" in the condensed consolidated statement of financial position for financial reporting purposes. Upon completion of the acquisition, the Group was interested in 1,237,750,000 shares in Global Mastermind, representing approximately 29.04% of the issued share capital of Global Mastermind, and transferred the 217,750,000 shares in Global Mastermind with an aggregate fair value of HK$30,049,000 to "interests in associates" in the condensed consolidated statement of financial position in applying equity method to account for the Group's investment in Global Mastermind.

On completion of the acquisition of the shares in Global Mastermind, the fair value of net assets acquired as of the acquisition date exceeded the fair value of the consideration transferred by HK$3,407,000. Accordingly, the Group recognised a gain on bargaining purchase of HK$3,407,000 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 2018.

In view of the volume of the shares of Global Mastermind traded in 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.

15. Interests in associates *(Continued)*

Global Mastermind *(Continued)*

The condensed consolidated financial statements of Global Mastermind and its subsidiaries for the six months ended 30 June 2019 were prepared in accordance with HKFRSs. According to its condensed consolidated statement of financial position at 30 June 2019, Global Mastermind had total assets of HK$929,448,000 and net assets of HK$620,326,000. Other than property, plant and equipment, right-of-use assets, and deferred tax assets, 79% of the total assets, which included investment properties, interest in a joint venture, loan receivables, trade and other receivables, and financial assets at FVTPL, was either measured at fair values or carried at amortised costs in accordance with HKFRSs and 18% of the total assets was bank and cash balances. As such, the directors considered that the consolidated net asset value of Global Mastermind and its subsidiaries were closely approximate to its fair value. Accordingly, the directors used assets-based approach to determine the fair value of the Group's investment in Global Mastermind, which was based on (i) the consolidated net asset value of Global Mastermind, and (ii) the shareholding interest in Global Mastermind held by the Group. At 30 June 2019, the fair value of the Group's investment in Global Mastermind was HK$180,142,000, which was same as the carrying amount of the Group's investment in Global Mastermind.

16. Loan receivables

	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
Loans to customers	**1,085,048**	1,174,998
Accrued interest receivables	**17,697**	11,288
	1,102,745	1,186,286
Less: allowance for credit losses	**(13,903)**	(17,547)
	1,088,842	1,168,739

All loans are denominated in Hong Kong dollars. The loan receivables carry effective interest ranging from 8% to 15% per annum (31 December 2018: 8% to 15% per annum). A maturity profile of the loan receivables (net of allowance for credit losses) at the end of the reporting period, based on the maturity date is as follows:

	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
Current assets		
Within one year	**739,985**	815,718
Non-current assets		
More than one year but not exceeding two years	**348,857**	353,021
	1,088,842	1,168,739

During the six months ended 30 June 2019, an allowance for credit losses of HK$3,644,000 was reversed in respect of loan receivables (2018: Nil).

At 30 June 2019, certain loans in an aggregate principal amount of HK$115,000,000 (31 December 2018: HK$100,000,000 was secured by a corporate guarantee) are secured by personal and corporate guarantees.

Included in the carrying amount of loan receivables at 30 June 2019 is an accumulated allowance for credit losses of HK$13,903,000 (31 December 2018: HK$17,547,000).

17. Trade receivables

	At 30 June 2019 ***HK$'000*** **(Unaudited)**	At 31 December 2018 *HK$'000* (Audited)
Trade receivables	**35,002**	33,063
Less: allowance for credit losses	**(97)**	(89)
	34,905	32,974

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

	At 30 June 2019 ***HK$'000*** **(Unaudited)**	At 31 December 2018 *HK$'000* (Audited)
0-30 days	**4,722**	5,494
31-60 days	**3,491**	5,651
61-90 days	**5,911**	5,669
91-120 days	**5,033**	3,442
121-180 days	**6,521**	5,757
Over 180 days	**9,227**	6,961
	34,905	32,974

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 2019, an allowance for credit losses of HK$8,000 was recognised in respect of trade receivables (2018: HK$477,000).

17. Trade receivables *(Continued)*

Included in the carrying amount of trade receivables at 30 June 2019 is an accumulated allowance for credit losses of HK$97,000 (31 December 2018: HK$89,000).

Movements in the allowance for credit losses are as follows:

	Six months ended 30 June 2019 *HK$'000* **(Unaudited)**	Year ended 31 December 2018 *HK$'000* (Audited)
At the beginning of the reporting period	**89**	—
Allowance for credit losses recognised	**8**	89
At the end of reporting period	**97**	89

18. Share capital

	Number of shares *'000*	**Share capital** *HK$'000*
Ordinary shares of HK$0.01 each (2018: HK$0.01 each)		
Authorised:		
At 1 January 2018, 31 December 2018 (audited), 1 January 2019 and 30 June 2019 (unaudited)	**10,000,000**	**100,000**
Issued and fully paid:		
At 1 January 2018, 31 December 2018 (audited), 1 January 2019 and 30 June 2019 (unaudited)	**3,819,606**	**38,196**

19. 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 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
0-30 days	**1,822**	240
31-60 days	**1,055**	344
61-90 days	**332**	286
91-120 days	**289**	484
Over 120 days	**1,354**	2,239
	4,852	3,593

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.

20. Bank borrowings

	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
Secured bank borrowings	**154,970**	157,201
Carrying amounts repayable:		
Within one year	**35,440**	35,049
Carrying amounts that contain a repayable on demand clause (shown under current liabilities) but repayable:		
Within one year	**5,288**	5,235
More than one year, but not exceeding two years	**5,422**	5,353
More than two years, but not exceeding five years	**23,018**	16,865
Over five years	**85,802**	94,699
	119,530	122,152
	154,970	157,201

20. Bank borrowings *(Continued)*

At 30 June 2019, the Group had the following bank borrowings:

(a) a secured mortgage loan of HK$119,530,000 (31 December 2018: HK$122,152,000), 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$385,522,000 (31 December 2018: HK$402,177,000), 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 2018: 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$385,522,000 (31 December 2018: HK$402,177,000), guaranteed by the Company and Om Gem Limited, and maturing on 25 October 2019; and

(c) a secured account payable financing of HK$15,440,000 (31 December 2018: HK$15,049,000), 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$385,522,000 (31 December 2018: HK$402,177,000) guaranteed by the Company and Om Gem Limited, and maturing in five months commencing from July 2019.

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.

21. Other borrowings

	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
Other borrowings	**200,000**	200,000

During the six months ended 30 June 2019, the Company entered into a supplemental agreement with the finance company to extend the repayment date from 29 May 2019 to 29 May 2020. Save and except for the extension of the repayment date, all terms and conditions of loan agreement remain unchanged and continue in full force and effect.

The other borrowings are 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 as supplemented by the supplemental agreement, and (ii) a personal guarantee given by Mr. Lei Hong Wai, the Chairman of the Board and an executive director, and maturing on 29 May 2020.

22. Amount due to a director

	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
Mr. Lei Hong Wai	**–**	50,000

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

23. Secured notes

	At 30 June 2019 ***HK$'000*** **(Unaudited)**	At 31 December 2018 *HK$'000* (Audited)
Secured notes	**299,723**	299,611

	HK$'000
At 1 January 2018	299,398
Imputed interest on secured notes	24,213
Interest paid and payable	(24,000)
At 31 December 2018 (audited) and 1 January 2019	299,611
Imputed interest on secured notes *(note 7)*	12,013
Interest paid and payable	(11,901)
At 30 June 2019 (unaudited)	**299,723**

On 25 August 2017, the Company issued the secured notes in the 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, and (ii) the rights to develop and operate the Subject Land and the rights to manage the properties erected on the Subject Land, and maturing on 25 August 2020.

Under 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 of the Group will not be less than HK$1,300,000,000. The Company complied with the covenant throughout the six months ended 30 June 2019 and the year ended 31 December 2018.

24. Disposal of Subsidiaries

Best Volume Investments Limited ("Best Volume") and its subsidiaries

On 5 December 2017, the Group entered into a conditional sale and purchase agreement relating to the disposal of the entire issued share capital of Best Volume to Mr. Xie Zhaobin, a director of certain subsidiaries of Best Volume, at a cash consideration of HK$405,000,000. The disposal was completed on 22 June 2018.

Analysis of assets and liabilities over which control was lost

	HK$'000
Investment properties	571,107
Goodwill	61,246
Trade receivables	22,881
Deposits, prepayments and other receivables	37,844
Cash and cash equivalents	7,414
Deposits received, accruals and other payables	(5,461)
Receipts in advance	(443)
Bank borrowings	(190,571)
Deferred tax liabilities	(98,675)
Net assets disposed of	405,342

Loss on disposal of subsidiaries

	HK$'000
Cash consideration received	405,000
Net assets disposed of	(405,342)
Release of exchange reserve upon disposal of Best Volume and its subsidiaries	(10,651)
Loss on disposal of subsidiaries	(10,993)

Net cash inflow arising on disposal

	HK$'000
Cash consideration received	405,000
Less: deposit received in December 2017	(235,300)
cash and cash equivalents disposed of	(7,414)
Net cash inflow	162,286

25. Commitments

At the end of the reporting period, the Group had the following commitments which were contracted for, but not provided in the condensed consolidated financial statements:

	At 30 June 2019 ***HK$'000*** **(Unaudited)**	At 31 December 2018 *HK$'000* (Audited)
Capital expenditures for the Subject Land	**25,849**	25,283

26. 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 2019 and 2018:

(a) Transactions with associates

Loan to/(from) an associate

	At 30 June 2019 ***HK$'000*** **(Unaudited)**	At 31 December 2018 *HK$'000* (Audited)
Amount due from Elite Prosperous *(Note)*	**38,437**	38,437
Amount due to China Hong Kong Money	**(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 and from associates do not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

26. Material related party transactions *(Continued)*

(a) Transactions with associates *(Continued)*

Expenses paid/payable to and income received/receivable from the subsidiaries of Global Mastermind

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Brokerage fees and other service charges paid/payable	**118**	—
Rental income received/receivable	**1,492**	—

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

(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:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**11,280**	11,080
Post-employment benefits	**36**	36
Equity-settled share-based payments	**—**	1,419
	11,316	12,535

Total remuneration is included in "staff costs" *(note 9)*.

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

26. Material related party transactions *(Continued)*

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

(i) On 4 January 2019, the Group repaid the cash advance of HK$50,000,000 to Mr. Lei Hong Wai, the Chairman of the Board and an executive director. The cash advance was made by Mr. Lei Hong Wai to the Group for financing its short-term funding needs. The cash advance was non-interest bearing and unsecured.

(ii) 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.

(iii) On 15 February 2019, a cash advance of HK$7,200,000 was made by 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, to the Company for financing its short-term funding needs. Each of Mr. Cheung Kwok Wai Elton and Mr. Cheung Kwok Fan are executive directors. The cash advance was non-interest bearing and unsecured. On 28 February 2019, the Company repaid the cash advance to Twin Success.

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.

26. Material related party transactions *(Continued)*

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

(i) On 22 June 2018, Golden Stone Management Limited ("**Golden Stone**"), a wholly-owned subsidiary of the Company, sold 100% issued share capital of Best Volume to Mr. Xie Zhaobin, a director of certain subsidiaries of Best Volume, at a consideration of HK$405,000,000 pursuant to the conditional sale and purchase agreement entered into between Golden Stone and Mr. Xie Zhaobin on 5 December 2017. The principal asset of Best Volume and its subsidiaries is the investment properties located at No. 33 Nonglinxia Road, Yuexiu District, Guangzhou, the PRC. The consideration was determined after arm's length negotiations between the parties to the conditional sale and purchase agreement with reference to the unaudited consolidated net asset value of Best Volume and its subsidiaries, the carrying amount of goodwill on acquisition of Best Volume and the fair value of the investment properties at 30 June 2017.

The sale and purchase of the 100% of the issued share capital of Best Volume constituted a major transaction for the Company and was subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Mr. Xie Zhaobin was a director of certain subsidiaries of Best Volume, Mr. Xie Zhaobin was a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules. Therefore, the sale and purchase of the 100% issued share capital of Best Volume constituted a connected transaction under Chapter 14A of the Listing Rules. The Board had approved the conditional sale and purchase agreement and the transactions contemplated thereunder. In addition, the directors (including all the independent non-executive directors) had confirmed that the terms of the conditional sale and purchase agreement were fair and reasonable, the transactions contemplated thereunder were on normal commercial terms and in the interests of the Company and the shareholders as a whole. Accordingly, the sale and purchase of the 100% issued share capital of Best Volume was exempt from independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

The sale and purchase of the 100% issued share capital of Best Volume was approved by the shareholders on 27 February 2018.

26. Material related party transactions *(Continued)*

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

(ii) On 29 September 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, made a loan in the principal amount of RMB25,000,000 (equivalent to HK$28,410,000) to Mr. Guan Jialin, a director of certain subsidiaries of the Group, for a term of 24 months commencing from 24 August 2018, pursuant to (i) the conditional loan agreement entered into between Bayhood No. 9 Co., Mr. Guan Jialin and Ms. Hao Yuhui, the spouse of Mr. Guan Jialin, on 20 August 2018, (ii) the supplemental agreement entered into between Bayhood No. 9 Co., Mr. Guan Jialin and Ms. Hao Yuhui on 20 September 2018, and (iii) the undertaking given to Bayhood No. 9 Co. by Mr. Yuan Huixia, a legal representative and a director of a wholly-owned subsidiary of the Company, on 20 September 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, which is registered by Mr. Yuan Huixia (as an agent of Bayhood No. 9 Co.), and maturing on 23 August 2020. The terms of the conditional loan agreement (as supplemented by the supplemental agreement with the undertaking) were negotiated on an arm's length basis between Bayhood No. 9 Co. and Mr. Guan Jialin with reference to the terms and conditions of the loan agreements entered into between the Group and its money lending customers.

26. Material related party transactions *(Continued)*

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

(ii) *(Continued)*

As each of Mr. Guan Jialin, Ms. Hao Yuhui and Mr. Yuan Huixia is a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules, the entering into of the conditional 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 Board had approved the conditional loan agreement (as supplemented by the supplemental agreement with the undertaking) and the transactions contemplated thereunder. In addition, the directors (including all the independent non-executive directors) had confirmed that the terms of the conditional loan agreement (as supplemented by the supplemental agreement with the undertaking) were fair and reasonable, the transaction contemplated thereunder were on normal commercial terms and in the interests of the Company and its shareholders as a whole. Accordingly, the entering into of the conditional loan agreement (as supplemented by the supplemental agreement with the undertaking) was exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

At 30 June 2019, the outstanding balance of the loan (before allowance for credit losses) is RMB25,000,000 (equivalent to HK$28,420,000) (31 December 2018: RMB25,000,000 (equivalent to HK$28,532,000)), which is included in the "Other receivables" line item in the condensed consolidated statement of financial position. The related interest income for the six months ended 30 June 2019 amounted to RMB1,116,000 (equivalent to HK$1,292,000) (2018: Nil), which is included in the "Investment and other income" line item in the condensed consolidated statement of profit or loss.

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

27. Impairment assessment on cash and cash equivalents, trade receivables, loan receivables and other receivables

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Allowance for credit losses recognised/ (reversed) in respect of:		
— cash and cash equivalents	**—**	—
— loan receivables *(note 16)*	**(3,644)**	—
— trade receivables *(note 17)*	**8**	477
— other receivables	**3,878**	—
	242	477

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 2019 are the same as those followed in the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2018.

28. Fair value measurements of financial instruments

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

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

28. Fair value measurements of financial instruments *(Continued)*

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

Fair value hierarchy (Continued)

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

	Fair value measurements categorised into						Total	
	Level 1		Level 2		Level 3			
	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)	**At 30 June 2019 HK$'000 (Unaudited)**	At 31 December 2018 HK$'000 (Audited)	**At 30 June 2019 HK$'000 (Unaudited)**	At 31 December 2018 HK$'000 (Audited)	**At 30 June 2019 HK$'000 (Unaudited)**	At 31 December 2018 HK$'000 (Audited)
Financial assets								
Financial assets at FVTPL								
– Listed equity securities	**320,450**	281,091	**–**	–	**7,113**	6,211	**327,563**	287,302

	Fair value at 30 June 2019 HK$'000 (Unaudited)	Fair value at 31 December 2018 HK$'000 (Audited)	**Fair value hierarchy**	**Valuation techniques and key inputs**
Financial assets				
Financial assets at FVTPL				
– Listed equity securities	**320,450**	281,091	Level 1	Quoted closing prices in active markets
– Listed equity securities	**7,113**	6,211	Level 3	Significant unobservable inputs

28. Fair value measurements of financial instruments *(Continued)*

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

Fair value hierarchy (Continued)

During the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

During the six months ended 30 June 2018, the Group transferred 217,750,000 shares of Global Mastermind with an aggregate fair value of HK$30,049,000 out of Level 1 as the Group has applied equity method to account for its investment in Global Mastermind.

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.

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	Market approach	Holdings return basis of negative 37.73% (31 December 2018: negative 53.15%)	The holding return basis is positively correlated to the fair value measurement
		Price-to-earning basis of 30.58 (31 December 2018: 27.14)	The price-to-earning basis is positively correlated to the fair value measurement
		Discount rate of 74.85% (31 December 2018: 78.01%)	The discount rate is negatively correlated to the fair value measurement

One of the Group's listed equity securities classified as a financial asset 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 2019 was measured by Graval Consulting Limited (31 December 2018: 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.

28. Fair value measurements of financial instruments *(Continued)*

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

Information about Level 3 fair value measurements (Continued)

The movement during the six months ended 30 June 2019 in the balance of this Level 3 fair value measurement is as follows:

	Listed equity securities *HK$'000*
At 1 January 2018	9,100
Loss arising on change in fair value recognised in profit or loss	(2,889)
At 31 December 2018 (audited) and 1 January 2019	6,211
Gain arising on change in fair value recognised in profit or loss	902
At 30 June 2019 (unaudited)	**7,113**

(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 2019 and 31 December 2018, except for the secured notes, which had a carrying amount and fair value of HK$299,723,000 (31 December 2018: HK$299,611,000) and HK$307,529,000 (31 December 2018: HK$301,862,000) at 30 June 2019 respectively.

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

29. Contingent liabilities

At 30 June 2019, the Group did not have any material contingent liabilities.

30. Events after the end of the reporting period

Subsequent to 30 June 2019, the fair value of the Group's financial assets at FVTPL decreased from HK$327,563,000 at 30 June 2019 to HK$278,853,000 at the date of this interim report.

31. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

The Group has initially applied HKFRS 16 at 1 January 2019. Under the transaction methods comparative information is not restated.

32. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue by the Board on 29 August 2019.

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 56, 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 2019 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 Main Board Listing 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 is 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, 29 August 2019

Financial Review

Results of operations

During the six months ended 30 June 2019, the Group recorded the revenue of HK$91,085,000, a 10% decrease from HK$101,629,000 for the previous period. The decrease in revenue was attributable to (i) a decrease in rental income as the Group disposed of its investment properties located in Guangzhou, Mainland China on 22 June 2018, and (ii) the recognition of a loss on the Group's sale of financial assets business in the six months ended 30 June 2019, whereas a revenue was recorded in the previous period. However, these decreases were partially offset by the increases in interest income on loans and sale of jewelry products. Of the total revenue, HK$52,362,000 was generated from money lending, HK$28,464,000 was generated from sale of jewelry products, HK$12,970,000 was generated from property investment, and the loss of HK$2,711,000 was generated from sale of financial assets.

Loss for the period amounted to HK$110,111,000, a 48% improvement from HK$213,439,000 for the six months ended 30 June 2018. This improvement was mainly attributable to (i) a HK$164,704,000 decrease in loss arising on change in fair value of financial assets at fair value through profit or loss ("**FVTPL**"), and (ii) the absence of the previous period's loss of HK$10,993,000 arising on disposal of Best Volume Investments Limited, which were partially offset by the recognition of (i) the share of losses of associates of HK$27,546,000, and (ii) a loss of HK$12,700,000 on change in fair value of investment properties, whereas a gain of HK$24,700,000 was recorded in the previous period.

Gross profit for sale of jewelry products increased by 112% from HK$2,153,000 in the six months ended 30 June 2018 to HK$4,566,000 in the six months ended 30 June 2019 and gross profit margin for sale of jewelry products increased from 10% in the six months ended 30 June 2018 to 16% in the six months ended 30 June 2019. These increases are discussed in the section headed "Sale of jewelry products business" under "Operations Review" below.

Gross profit for property investment decreased by 59% from HK$13,250,000 in the six months ended 30 June 2018 to HK$5,438,000 in the six months ended 30 June 2019. Gross profit margin for property investment decreased from 56% in the six months ended 30 June 2018 to 42% in the six months ended 30 June 2019. These decreases were mainly attributable to the disposal of the Group's investment properties located in Guangzhou, Mainland China on 22 June 2018, which had a minimal cost of sales.

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 its investment properties located in Hong Kong at fair value based on a valuation prepared by an independent qualified valuer and recognised the loss of HK$12,700,000 arising on change in fair value of investment properties.

(b) At the end of the reporting period, the Group measured its equity portfolio at fair value based on the closing prices as quoted on The Stock Exchange of Hong Kong Limited (the "**Exchange**") and recognised a loss of HK$57,696,000 arising on change in fair value of financial assets at FVTPL.

(c) 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 and recognised a gain on disposal of HK$54,000.

Selling and distribution expenses mainly represent staff costs and commission of sales team, overseas travelling expenses, freight charges, and exhibition expenses incurred by the Group's sale of jewelry products business. Selling and distribution expenses increased by 13% from HK$2,188,000 in the six months ended 30 June 2018 to HK$2,473,000 in the six months ended 30 June 2019. This increase was mainly attributable to the increases in overseas travelling expenses and exhibition expenses for business development.

Administrative expenses decreased by 12% from HK$52,119,000 in the six months ended 30 June 2018 to HK$45,659,000 for the six months ended 30 June 2019. This decrease was mainly attributable to the absence of the previous period's equity-settled share-based payment expenses of HK$9,063,000, which was partially offset by a HK$1,605,000 increase in depreciation expense and a HK$1,513,000 increase in consultancy fee.

Financial Review *(Continued)*

Results of operations (Continued)

Share of losses of associates amounted to HK$27,546,000 for the six months ended 30 June 2019, representing (i) the share of loss of HK$12,809,000 from Elite Prosperous Investment Limited ("**Elite Prosperous**"), a 49% owned associate of the Company, (ii) the share of loss of HK$14,734,000 from Global Mastermind Holdings Limited ("**Global Mastermind**"), a 29.04% owned associate of the Company, and (iii) the share of loss of HK$3,000 from China Hong Kong Money Limited, a 30% owned associate of the Company.

Finance costs decreased by 12% from HK$27,631,000 in the six months ended 30 June 2018 to HK$24,261,000 in the six months ended 30 June 2019. Such decrease was mainly due to a decrease in interest on bank borrowings resulted from the release of the Renminbi bank loan through the disposal of the Group's investment properties located in Guangzhou, Mainland China on 22 June 2018.

Income tax expense increased from HK$152,000 in the six months ended 30 June 2018 to HK$1,480,000 in the six months ended 30 June 2019. Such increase was due to (i) a HK$197,000 increase in current tax expense, (ii) a HK$527,000 decrease in deferred tax credit relating to the fair value adjustment on acquisition of subsidiaries and the right-of-use assets, and (iii) the recognition of a deferred tax expense of HK$604,000 arisen from the reversal of allowance for credit losses on loan receivables made in the previous year.

Liquidity and financial resources

During the six months ended 30 June 2019, 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$2,655,704,000 at 31 December 2018 to HK$2,543,461,000 at 30 June 2019. This decrease was attributable to the loss incurred by the Group for the six months ended 30 June 2019.

Financial Review *(Continued)*

Liquidity and financial resources *(Continued)*

At 30 June 2019, the cash and cash equivalents of the Group amounted to HK$40,552,000 (31 December 2018: HK$140,628,000).

At 30 June 2019, the Group had outstanding borrowings of HK$654,693,000 (31 December 2018: HK$706,812,000) representing:

(a) the carrying amount of HK$300,000,000 8% secured notes due 2020 (the "**Secured Notes**") of HK$299,723,000, which are interest bearing at 8.00% 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$154,970,000, comprising (i) an instalment loan of HK$119,530,000, which is interest bearing at 1.00% per annum over one-month HIBOR or 3.00% 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 2.00% 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 25 October 2019; and (iii) various advances in the aggregate principal amount of HK$15,440,000 under the account payable financing facilities, which are interest bearing at 2.00% 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 in five months commencing from July 2019; and

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 8.00% 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 29 May 2020.

Gearing ratio

At 30 June 2019, the gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of the Company was 26% (31 December 2018: 27%).

Net current assets and current ratio

At 30 June 2019, the Group's net current assets and current ratio were HK$725,204,000 (31 December 2018: HK$783,497,000) and 2.22 (31 December 2018: 2.19) respectively.

Capital structure

During the six months ended 30 June 2019, 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 2019, the Group did not have any material acquisitions and disposals of subsidiaries and associates.

Financial Review (Continued)

Pledge of assets

At 30 June 2019, the following Group's assets were pledged:

(a) the Shun Tak Property with a carrying amount of HK$385,522,000 (31 December 2018: HK$402,177,000), of which HK$222,622,000 (31 December 2018: HK$226,577,000) is classified under "property, plant and equipment", and HK$162,900,000 (31 December 2018: HK$175,600,000) is classified under "investment properties", for securing the banking facilities granted to the Group; and

(b) the 100% issued shares in China Jiuhao Health Industry Group Limited with an unaudited combined net assets of HK$1,110,956,000 (31 December 2018: HK$1,101,487,000) after adjusting for purchase price allocation for securing the Secured Notes.

Material commitments

At 30 June 2019, the Group had a total commitment of HK$25,849,000 (31 December 2018: HK$25,283,000) 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 2019, no financial instruments for hedging purposes were used by the Group.

Contingent liabilities

At 30 June 2019, the Group did not have any material contingent liabilities.

Financial Review (Continued)

Employees and remuneration policy

At 30 June 2019, the headcount of the Group was 95 (30 June 2018: 86). Staff costs (including directors' emoluments) amounted to HK$22,675,000 in the six months ended 30 June 2019 (2018: HK$31,221,000). The decrease in staff costs was attributable to the absence of the previous period's equity-settled share-based payment expenses of HK$9,063,000. 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 2019, the Group's sale of financial assets business reported a segment loss (before taxation) of HK$59,710,000, which mainly included (i) a loss of HK$2,711,000 from trading of Hong Kong listed equities, (ii) a loss of HK$57,696,000 arising on change in fair value of financial assets at FVTPL, and (iii) the dividend income from Hong Kong listed equities held by the Group of HK$670,000. The improvement in segment loss was due to the HK$164,704,000 decrease in loss arising on change in fair value of financial assets at FVTPL.

During the six months ended 30 June 2019, the Group acquired two Hong Kong listed equities with the aggregate acquisition costs of HK$150,050,000 and made a trading loss of HK$2,711,000 from selling three Hong Kong listed equities with an aggregate carrying amount plus transactions costs of HK$52,226,000 at the aggregate sale proceeds of HK$49,515,000.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Movements in the carrying amount of the Hong Kong listed equities held by the Group during the six months ended 30 June 2019 and 2018 are as follows:

	2019 *HK$'000*	2018 *HK$'000*
Carrying amount at 1 January	**287,302**	662,943
Add: Acquisitions	**150,050**	10,324
Gain arising on subsequent change in fair value upon transfer to interests in associates	**–**	554
Less: Disposals	**(52,093)**	(76,966)
Transfer to interests in associates	**–**	(30,049)
Loss arising on subsequent change in fair value	**(57,696)**	(222,954)
Carrying amount at 30 June	**327,563**	343,852

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Details of the Hong Kong listed equities held by the Group at 30 June 2019 are as follows:

Name of Hong Kong listed equities	*Notes*	Number of shares held at 30 June 2019	Fair value at 30 June 2019 *HK$'000*	Fair value as compared to the consolidated total assets of the Group at 30 June 2019	Dividend received/ receivable in the six months ended 30 June 2019 *HK$'000*	Gain/(loss) arising on change in fair value recognised in the six months ended 30 June 2019 *HK$'000*
Affluent Partners Holdings Ltd. (stock code: 1466)	*1*	22,162,000	24,821	0.62%	–	(886)
BC Technology Group Ltd. (stock code: 863)	*2*	20,000,000	103,600	2.59%	–	3,600
Brockman Mining Ltd. (stock code: 159)	*3*	40,220,000	6,556	0.16%	–	(684)
China Healthcare Enterprise Group Ltd. (stock code: 1143)	*4*	30,000,000	2,760	0.07%	–	720
China Healthwise Holdings Ltd. (stock code: 348)	*5*	1,483,728,240	57,865	1.44%	–	(35,397)
Frontier Services Group Ltd. (stock code: 500)	*6*	21,340,000	21,340	0.53%	–	(5,122)
Hsin Chong Group Holdings Ltd. (stock code: 404)	*7*	90,000,000	–	0.00%	–	–
Huayi Tencent Entertainment Company Ltd. (stock code: 419)	*8*	200,000,000	31,400	0.78%	–	(7,400)
Kingston Financial Group Ltd. (stock code: 1031)	*9*	33,028,000	52,515	1.31%	495	(8,917)
KuangChi Science Ltd. (stock code: 439)	*10*	23,000,000	11,040	0.28%	–	(460)
Lajin Entertainment Network Group Ltd. (stock code: 8172)	*11*	53,500,000	6,688	0.17%	–	(3,852)
Town Health International Medical Group Ltd. (stock code: 3886)	*12*	70,000,000	7,113	0.18%	175	902
Yunfeng Financial Group Ltd. (stock code: 376)	*13*	444,000	1,865	0.05%	–	(200)
			327,563		670	(57,696)

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, the group had equity attributable to owners of Affluent Partners of HK$197,978,000 at 31 March 2019. The group recorded a loss attributable to owners of Affluent Partners of HK$42,816,000 for the year ended 31 March 2019.

   As disclosed in its 2019 annual report, with gradual expansion in real estate investment business, Affluent Partners' targets were the United Kingdom and the countries along "Eurasia". Affluent Partners anticipated such investments and 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. 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. With the entering into of the collaboration agreement on 26 October 2018 relating to setting up one or more REITs, the proposed acquisition of a 30% shareholding interests in a company engaged in operation of co-working spaces and co-living spaces in Hong Kong and the United Kingdom under Campfire brand, and 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 co-living 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 provision of corporate entrepreneurship and development services, including advertising, public relations, event marketing services, and business park operation and management services, and blockchain technology and software solutions and facilitation of trading in digital assets.

   Based on its published financial information, the group had equity attributable to owners of BC Technology of RMB30,141,000 and RMB22,377,000 at 31 December 2018 and 30 June 2019 respectively. The group recorded a loss attributable to owners of BC Technology of RMB161,233,000 and RMB133,292,000 for the year ended 31 December 2018 and the six months ended 30 June 2019 respectively.

   As stated in its interim results announcement, BC Technology would increase its investment in Hong Kong and other key jurisdictions in Asia, where it was focused on provision of a digital asset trading platform and related Software as a services Service ("**SaaS**") offerings, in order to diversify revenue and expand its customer base. Geographic expansion remained a priority for BC Technology as the market for its businesses became more global. BC Technology had opened an office in Singapore in July 2019. In the first half of 2019, BC Technology had benefited from the growing acceptance of digital assets and experienced encouraging signs of institutional adoption due to increased regulatory clarity. This was evidenced by large technology and financial services firms announcing their intent to launch their own digital assets. In addition, the recent statement by the Financial Action Task Force had provided meaningful regulatory clarity to current and future market participants. This clarity, coupled with BC Technology's world-class technology, risk management, and compliance capabilities would assist it to differentiate from competitors. BC Technology had already seen increasing interest from institutions that recognised it as one of the few market participants that could comply with new and emerging regulations. As regulation became clearer and the market for BC Technology's services became mainstream, large financial institutions and technology firms would seek to partner with BC Technology to enter the digital asset ecosystem. BC Technology would continue to build its capabilities in technology, security, risk, and compliance systems as required by regulators who would oversee digital asset platform operators. BC Technology believed that both its existing advertising business and business park area management services businesses, together with the growing blockchain technology and digital asset trading platform and SaaS offerings, would continue to be the key revenue streams in the near future.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

3. 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, the group had equity attributable to owners of Brockman Mining of HK$584,725,000 and HK$549,486,000 at 30 June 2018 and 31 December 2018 respectively. The group recorded a profit attributable to owners of Brockman Mining of HK$108,086,000 for the year ended 30 June 2018 and a loss attributable to owners of Brockman Mining of HK$12,245,000 for the six months ended 31 December 2018.

   As disclosed in its 2018/19 interim report, Brockman Mining had entered into a Farm-in Joint Venture Agreement (the "**FJV Agreement**") with Polaris Metals Pty Ltd. ("**Polaris**"), a wholly-owned subsidiary of Mineral Resources Limited ("**MRL**"), on 26 July 2018 for the development of its flagship Marillana Iron Ore Project located in Pilbara region of Western Australia. Under the terms of the FJV Agreement, Polaris will earn a 50% interest in the Marillana Iron Ore Project and MRL will be responsible for development of the mine, construction and operation of the processing plant for an estimated minimum production rate of 20 million tonnes per annum of high quality Marillana product. The funding for the mine development, which is estimated to be a maximum of A$300 million, will be shared by the joint venture. Under the terms of the FJV Agreement, MRL will use its best endeavours to secure debt funding for Brockman Mining's A$150 million contribution. The capital cost for the process plant construction will be borne entirely by MRL, in return for a service fee to be paid by the joint venture based on production volumes. MRL has also committed to the construction and operation of rail and port infrastructure, which consists of a 320km long light railway connecting Marillana to a port at South West Creek in the Port Hedland inner harbour. It was expected that construction of this railway and port would commence before the end of 2019 and be operational by the end of 2021. The processing plant was scheduled to commence operations concurrently with the railway. The establishment of the joint venture would unlock the value of the Marillana Iron Ore Project and might assist in the future development of its group's other iron ore assets in the Pilbara Region. Brockman Mining was looking forward to working with MRL, an established Australian mining services and processing company. The proven capability of MRL in constructing and operating process plants in the Pilbara region would de-risk the development of the Marillana Iron Ore Project. Upon the completion of the Farm-In obligations, Polaris would have a 50% interest in the Marillana Project. Aside from the mine and infrastructure development, the completion of the Farm-In obligations would cause a A$10 million loan from Polaris to be released to Brockman Mining for its working capital purposes.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

4. China Healthcare Enterprise Group Ltd. ("**China Healthcare**") and its subsidiaries are principally engaged in (i) electronic manufacturing services, (ii) marketing and distribution of communications products, (iii) trading and selling of medical equipment, and (iv) securities and other assets investments.

   Based on its published financial information, the group had equity attributable to owners of China Healthcare of HK$572,804,000 at 31 December 2018. The group recorded a loss attributable to owners of China Healthcare of HK$57,984,000 for the year ended 31 December 2018.

   As disclosed in its 2018 annual report, China Healthcare's electronic manufacturing services ("**EMS**") business performed encouragingly, although customers became more cautious due to the ongoing trade talks between Mainland China and the United States. China Healthcare would continue to vigorously pursue fresh opportunities. At the same time, China Healthcare would be vigilant for potential risks to its profit margin, such as appreciation of the Renminbi and rise in component costs, and take prompt and appropriate actions. Moreover, China Healthcare would direct resources towards research and development so that new products of higher margin were subsequently launched, including IoT, Wi-Fi and Bluetooth enabled smart-home appliances that gave fresh impetus for the development of the EMS segment. With regard to its securities and other assets investment operation, China Healthcare would continue to focus principally on leveraging the burgeoning Mainland China healthcare market. As Mainland China government had been supportive of advancing healthcare, as outlined in the 13th Five-Year Plan (2015-2020) and "Healthy China 2030", China Healthcare would seize opportunities that emerged through relevant investments and partnerships. With 2019 set to be a year of both immense challenges and opportunities, China Healthcare would take a decidedly cautious approach in developing its principal business interests. That did not, however, preclude China Healthcare from taking action aimed at furthering its long-term growth. Leveraging its depth of experience, core competencies and sound fundamentals, China Healthcare would make the necessary preparations for an eventual upturn.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

5. China Healthwise Holdings Ltd. ("**China Healthwise**") and its subsidiaries are principally engaged in sales of toys, consumer electronic products and Chinese health products, money lending business, and investment in financial instruments.

   Based on its published financial information, the group had equity attributable to owners of China Healthwise of HK$455,446,000 at 31 March 2019. The group recorded a loss attributable to owners of China Healthwise of HK$95,316,000 for the year ended 31 March 2019.

   As stated in its 2019 annual report, China Healthwise would continue to invest in its health care business and to develop its retail business of "Sum Yung"（參茸）dried seafood products and other healthy food products in Hong Kong with an aim to broaden its revenue base especially to the youth generation and middle class consumers. China Healthwise expected the increasing tourists to Hong Kong to have a positive future impact on the retail market of Hong Kong and its performance on Chinese health products. Strong competition in the childcare products market and global economics uncertainty leaded by US-China trade war had a negative impact on the performance of China Healthwise's childcare products business. China Healthwise would maintain its multi-brand and multi-product strategy and strictly control its operating costs to cope with this challenge. The toy products of China Healthwise' OBM toys business received encouraging and positive responses at the New York and Hong Kong toy fairs in early 2019. However, further capital investments would be required in continuous product development, engineering, new product moulds plus additional marketing and promotion costs for the new products. These expenses would continue to affect the profitability of OBM toys business. In view of the liquidation of a major toy retail chain stores in the United States and worldwide, China Healthwise would have to continue reducing prices and margins plus divert its markets in North America towards clubs, supermarkets and internet sales. With the right products at competitive prices, China Healthwise expected these retail channels to continue contributing to the sales of OBM toys business for the coming year. Despite certain uncertainties in the global economy, the demand for China Healthwise's money lending business remained strong during the year ended 31 March 2019 and its loans receivables together with accrued interest receivables increased sharply from HK$35 million at 31 March 2018 to HK$261 million at 31 March 2019. China Healthwise would continue to develop this business cautiously by strengthening its credit policy and risk control policy. For its investment in financial instruments business, China Healthwise would closely monitor various factors such as global economy, investment sentiment and fundamentals of investors and their future prospects and protectively adjust its portfolio in order to improve its performance. China Healthwise would change its equity portfolio mix from time to time and realise the equities held by it into cash as and when appropriate.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

6. Frontier Services Group Ltd. ("**Frontier Services**") and its subsidiaries are principally engaged in the provision of aviation and logistics services, the provision of online financial market information, and direct investments.

   Based on its published financial information, the group had equity attributable to owners of Frontier Services of HK$1,064,608,000 and HK$934,984,000 at 31 December 2018 and 30 June 2019 respectively. The group recorded a loss attributable to owners of Frontier Services of HK$258,846,000 and HK$132,918,000 for the year ended 31 December 2018 and the six months ended 30 June 2019 respectively.

   As stated in its interim results announcement, Frontier Services not only continuously explored the infrastructure business opportunities in Africa and South East Asia, but also started to bring in additional sources of revenue to different business segments, through its presence in Cambodia, Myanmar, Laos, Mozambique, Tanzania and Democratic Republic of Congo, in the first six months of 2019. Frontier Services believed that more revenue would be generated from these countries in the years to come. Other than this, Frontier Services had continued to build its footprint along the Belt and Road including countries like Kazakhstan and Pakistan. The primary focuses of Frontier Services were to find ways to provide the necessary support and solutions in terms of logistics, security, insurance and infrastructure to enterprises operating along the Belt and Road. During the six months ended 30 June 2019, business partner had also been successfully identified on logistics for the development of China-Pakistan Economic Corridor. With its continued effort and resources put in these countries during the past few years, it was expected that more revenue would be generated by Frontier Services in the near future. Frontier Services' contributions and initiatives putting on Belt and Road would finally pay off and people in the market would recognise its presence and influence. During the six months ended 30 June 2019, Frontier Services had carried out a number of studies, evaluations and assessments on projects in different countries with an aim to provide the best infrastructure project solutions to its customers. Frontier Services expected that some of these projects would be launched soon. Owing to its active and significant involvement upfront, this would provide Frontier Services with investment opportunities to take part in some of these projects through small amount of equity investment. With the continued support from its shareholders such as Citic Group Corporation and China Tai Ping Insurance Holdings Company Limited, this could enable Frontier Services to create values to its stakeholders in a foreseeable future. Frontier Services strongly believed that it was on the right track of the Belt and Road Initiative. Frontier Services could transform this initiative into its long term strategy and could deliver good investment returns to its stakeholders.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

7. 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 published financial information, the group had equity attributable to owners of Hsin Chong of HK$10,873,051,000 and HK$9,990,782,000 at 31 December 2017 and 30 June 2018 respectively. The group recorded a loss attributable to owners of Hsin Chong 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.

   As disclosed in its 2018 interim report, Hsin Chong's financial situation had been restraining its ability to obtain new projects since the beginning of 2018, which resulted in a decrease in the turnover of its construction business. This, in turn, caused a reduction in its cashflow and an increase in its financing cost. Hsin Chong had pursued strategic measures, including but not limited to disposal of its assets and refinancing of its current facilities to restore its cashflow and liquidity. During such restoration period, Hsin Chong noticed and foresaw that (i) the operating progress of various projects might be affected, (ii) the short-term financing cost might increase, (iii) new tenders would be restricted until the cashflow and liquidity of Hsin Chong restored, and (iv) key staffs turnover might increase. Hsin Chong was currently in discussions with Poly Property Group Co., Limited (stock code: 119), which had expressed an interest in investing in its equity securities.

   Trading in the shares of Hsin Chong has been suspended since 3 April 2017. The price of Hsin Chong's shares closed at HK$0.35 per share on 31 March 2017, being the last trading day prior to the suspension of trading of the shares at 9:00 a.m. on 3 April 2017. In view of the existence of material uncertainties which may cast significant doubt about Hsin Chong's ability to continue as a going concern, the entire fair value of the shares in Hsin Chong held by the Group of HK$31,500,000 at 31 March 2017 was fully impaired for prudence sake.

   On 8 May 2019, Hsin Chong issued an announcement giving an update on its resumption progress. As stated in the announcement,

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

7. *(Continued)*

(a) Hsin Chong had been actively negotiating with potential investors to provide funding or investment in Hsin Chong to support its operation and development, in order to address the audit issue on multiple uncertainties relating to going concern and to demonstrate its compliance with Rule 13.24 of the Rules Governing the Listing of Securities on the Exchange (the "**Listing Rules**"). As various negotiations were still undergoing, Hsin Chong was in the course of formulating and yet to finalise a resumption proposal.

(b) Hsin Chong had met with certain holders of the USD300 million 8.75% senior notes due 2018 and the USD150 million 8.50% senior notes due 2019 and their advisors to discuss their views on a potential consensual restructuring of the senior notes. Hsin Chong would work closely with its joint provisional liquidators to identify and implement a consensual solution.

(c) On 28 March 2019, a recognition order had been granted by the High Court of Hong Kong, inter alia, that the appointment of the joint provisional liquidators of Hsin Chong on 19 February 2019 (Bermuda Time) by the Bermuda Court was recognised by the High Court of Hong Kong and, so long as, Hsin Chong remained in provisional liquidation in Bermuda, no action or proceeding should be proceeded with or commenced against Hsin Chong or its assets or affairs, or its property within the jurisdiction of High Court of Hong Kong, except with the leave of the High Court of Hong Kong and such powers (including restructuring powers) of the joint provisional liquidators. On 3 May 2019 (Bermuda Time), the Bermuda Court had ordered to adjourn the winding up petition hearing to 26 July 2019. The appointment of the joint liquidators of Hsin Chong Construction (BVI) Ltd., a wholly-owned subsidiary of Hsin Chong, had been confirmed by passing the resolution at the meeting of creditors on 28 February 2019.

(d) Hsin Chong had received various court orders against certain of its subsidiaries in Mainland China, which were (i) the bank balances (or other assets of the same amount) of RMB3,002,138,142.55 held by Hsin Chong, a subsidiary in Beijing and two subsidiaries be frozen, in the event of any shortfall of the bank balances, the assets under the above four companies be impounded to match the shortfall, (ii) the 100% equity interest of the subsidiary in Beijing be frozen for three years with effect from 15 March 2019, and (iii) the bank balance (or other assets in equivalent sum) of a subsidiary in Shandong Province amounting to RMB422,939,372 be frozen over and certain land interest of that subsidiary in Taian be impounded for three years with effect from 9 April 2019.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

7. *(Continued)*

On 27 May 2019, Hsin Chong issued an inside information announcement. As stated in the inside information announcement, the bank balances held under two of its subsidiaries in Liaoning Province amounting to RMB440,127,921.08 (or other assets in equivalent sum) would be frozen over and certain land interests held under these two subsidiaries should be impounded for three years with effect from 24 April 2019.

On 30 July 2019, Hsin Chong issued an inside information announcement. As stated in the inside information announcement, Hsin Chong submitted a resumption proposal to the Exchange. The resumption proposal involves, among other matters, (i) the proposed subscription of new shares of Hsin Chong by a potential subscriber, (ii) the proposed implementation of schemes of arrangement of creditors of the group, (iii) the proposed settlement arrangement among Hsin Chong and parties involved in a mortgagee sale, pursuant to which the entire issued shares of Hsin Chong Aster Building Services Limited would be transferred back to Hsin Chong; and (iv) a proposed open offer. Upon completion of the proposed subscription of the new shares and the proposed settlement arrangement, it was expected that Hsin Chong would satisfy the requirements under Rule 13.24 of the Listing Rules.

On 20 August 2019, Hsin Chong issued an inside information announcement. As stated in the inside information announcement, Hsin Chong had received a letter from the Exchange stating that since the trading in Hsin Chong's securities had been suspended since 3 April 2017 and had failed to resume by 31 July 2019, accordingly, the Listing Committee had decided to cancel Hsin Chong's listing under Rule 6.01A of the Listing Rules. It was indicated in the letter that the last day of listing of Hsin Chong's shares would be on 23 August 2019 and the listing of shares of Hsin Chong would be cancelled with effect from 9:00 a.m. on 26 August 2019. After considering legal and professional advice, Hsin Chong had on 19 August 2019 submitted a written request to the secretary of the Listing Review Committee of the Exchange pursuant to Rule 2B.06(2) of the Listing Rules for a review of the decision.

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, the group had equity attributable to owners of Huayi Tencent of HK$868,792,000 and HK$857,327,000 at 31 December 2018 and 30 June 2019 respectively. The group recorded a profit attributable to owners of Huayi Tencent of HK$73,737,000 for the year ended 31 December 2018 and a loss attributable to owners of Huayi Tencent of HK$8,653,000 for the six months ended 30 June 2019.

   As stated in its interim results announcement, Huayi Tencent anticipated that at least three to four movies would be screened across the world and in Mainland China in the upcoming 18 months, including productions which had attracted the interest of the market and enthusiastic discussions in both Mainland China and Korea. Huayi Tencent was confident that these productions would attain success and hence it was hopeful that Huayi Tencent's revenue generated from its entertainment and media operations would hence be boosted. According to a public research (www.pwc.com/outlook), Mainland China would remain the world's largest cinema market in terms of total box office in the next few foreseeable years (2021-2023). Even though Chinese films were making big strides, it was envisaged that American films, in particular Hollywood blockbusters, would continue to dominate the market across the globe in the coming few years. Huayi Tencent had been actively seeking global opportunities for investing in prime films and television dramas, and it was now collaborating with top film studios and producers in North America and Europe to work on different projects, so that the audience might be surprised by an overwhelming experience in the coming year or two. Korean movies, which demonstrated new themes and set new trends, had led the market into diversification and further broadened the audience base of Korean films. Huayi Tencent believed that high-quality Korean films and television dramas would be in strong demand in Korean as well as in other Asian markets. Therefore, Huayi Tencent would invest in those prime products in the future and step up its efforts in hoarding up quality Korean IP. 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. As for its healthcare and wellness services, Huayi Tencent expected the operations of its offline healthcare and wellness services business "Beijing Bayhood No. 9 Club" to remain steady in the future. With the intention of focusing resources on developing its entertainment and media operations in the future, Huayi Tencent could not rule out the possibility of integration of existing resources to complement its eventual development strategy.

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. The group also provides gaming and hospitality services in Macau.

   Based on its published financial information, the group had equity attributable to owners of Kingston Financial of HK$21,522,041,000 at 31 March 2019. The group recorded a profit attributable to owners of Kingston Financial of HK$1,001,927,000 for the year ended 31 March 2019.

   As disclosed in its 2019 annual report, Kingston Financial believed that focusing on the expansion of domestic demand and high value-added industries, strengthening efforts to deepen the reform, adopting a higher standard of 'door-open' policies, deep integrating of the Greater Bay Area and the Belt and Road initiative were all conducive to enhance the quality and sustainability of Mainland China's future economic development in the long run. The Exchange announced the new "Listing Rules" in 2018. Since its entry into force, 40 new non-traditional equity companies had issued new shares, raising a total of HK$150.4 billion, accounting for more than half of the IPO funds raised during the same period. As a result, Hong Kong had become the second largest biotechnology center in the world. There might be more biotechnology company to be listed in Hong Kong in the future. Furthermore, the optimisation of the new share issuance mechanism and the integration of the interconnection mechanism introduced by the Exchange would enhance the importance of the Hong Kong market to international investors and encourage more new companies to be listed in Hong Kong. During the past ten years, the total funds raised for new shares in Hong Kong had won the global championship for six years. At the end of April 2019, the funds raised via equity offerings on the Exchange remained the highest in the world. The Exchange served as a platform for international operations and attracted foreign funds and investment. Therefore, Hong Kong was still an ideal platform for many overseas companies, including Mainland China, to be listed. In the long run, the integration of Mainland China and Hong Kong financial industry would further provide more opportunities for Kingston Financial. Kingston Financial would continue to seize opportunities brought ahead by the new mechanism of the Exchange and keep expanding its business. Benefiting from Mainland China's economic growth and the completion of the Hong Kong-Zhuhai-Macao Bridge, Macau's gaming and hotel industry were on the good looking side. Kingston Financial would continue to drive its revenue growth in the region.

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 and other services.

    Based on its published financial information, the group had equity attributable to owners of KuangChi Science of HK$1,390,051,000 and HK$1,264,447,000 at 31 December 2018 and 30 June 2019 respectively. The group recorded a loss attributable to owners of KuangChi Science of HK$457,609,000 and HK$91,659,000 for the year ended 31 December 2018 and the six months ended 30 June 2019 respectively.

    As stated in its interim results announcement, KuangChi Science had achieved certain breakthroughs in the "AI overlay" technology and its application during the six months ended 30 June 2019. Its "Matrix Intelligent Engine" had stood the concurrent testing of maximum 70,000 visits per second with its powerful computing capacity. The "AI Overlay Network" had showed its considerable merits in real scenarios in the Bund, Shanghai, which had provided a main test field for the constant optimising of the technology, and had been well recognised by the police. Besides, the promotion of technology had achieved remarkable results in Chongqing market with purchase orders from relevant customers. During the six months ended 30 June 2019, KuangChi Science had actively developed the "AI Overlay Network" in various demonstration regions such as Shanghai, Chongqing, Shunde, Shenzhen and Xiong'an, and had continued to promote "AI Overlay Network" nationwide. As for the "future space" technology business, KuangChi Science had gradually reduced the R&D investment in "future space" technology during the six months ended 30 June 2019. KuangChi Science had mainly leveraged existing research and development results of aerospace products like "Cloud" and drones ("KC" series and "H" series) to collect multi-source information such as visible light and infrared radiation to provide basic data for "AI Overlay Network". The management believed that, with the development of 5G network, KuangChi Science's "AI Overlay" technology would gradually be applied to more vertical industries in combination with its own development goals and industrial needs, especially in accelerating the construction of smart cities. "AI Overlay Network" would become a new driving force for economic and social development, with huge application demand and market prospects in smart cities.

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, the group had equity attributable to owners of Lajin Entertainment of HK$620,824,000 and HK$602,087,000 at 31 December 2018 and 30 June 2019 respectively. The group recorded a loss attributable to owners of Lajin Entertainment of HK$236,071,000 and HK$18,661,000 for the year ended 31 December 2018 and the six months ended 30 June 2019 respectively.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

11. *(Continued)*

As disclosed in its 2019 interim report, Lajin Entertainment was the lead investor and producer in "Faithful Dog Hachiko"（《忠犬八公》）, "The Tibet Code"（《藏地密碼》), and "Legend of the Galactic Heroes"（《銀河英雄傳説》）. These were the main focus of its investments in the coming two to three years which would receive Lajin Entertainment's full support and plan to release or distribute in or after 2020. Furthermore, the previously invested cinematic projects like "The Dynasty Warriors"（《真•三國無雙》), "Theory of Ambition"（《風再起時》）, "I' m Livin' It"（《麥路人》）, "Ori Princess, the Elf is Coming"（《甜心格格之精靈來了》）, and "In Winter"（《藍色列車》）were either under post-production or scheduled for release while "Fagara in Mara"（《花椒之味》）, and "If You are Happy"（《學區房 72 小時》）had been confirmed to be released during 2019. Amongst all artists under the management of Lajin Entertainment, Chen Xinzhe（陳信喆）showed enormous potential and had been put in the limelight quickly. In addition, other artists of Lajin Entertainment, Xu Junjie（徐俊傑）and Ye Zicheng（葉子誠）, demonstrated remarkable performance. Lajin Entertainment would strive to secure more commercial advertisement jobs for its artists and leverage on the facilities available in its Lajin Base, located in Yi Zhuang（亦莊）comprising two 6-storey buildings of approximately 5,600 square metres in total and houses various facilities and functionalities, to provide them with necessary trainings and shooting/production environment, enabling these future stars to shine. Lajin Music（拉近音樂）had augmented the copyright of a large number of high quality original music compositions, through the past two-year efforts, covering a variety of mainstream and non-mainstream music in styles of pop, rock, classical, folk, electronic, rap, etc. Lajin Music had developed a comprehensive music promotion and distribution network and commenced copyright operation in full swing: Lajin Music collaborated with various domestic mainstream music platforms, such as QQ Music, KuGou Music, Kuwo Music, NetEase Cloud Music, Xiami Music as well as TikTok and gradually opened overseas issuance channels. Lajin Music also established strategic partnerships with nearly 100 radio stations and internet radio channels in Mainland China. Lajin Base supplied both front stage and backstage talents for the domestic movie, television, music and performing arts industries. It also produced high-quality cultural and entertainment content of positive energy and values for the market. Lajin Base had discussed cooperation with several production houses in relation to the provision of its venue and facilities and the advanced programmes productions technology for the production of some specific variety shows. In addition, Lajin Base also cooperated with various platforms, such as providing venues and professional services to artist management companies for nurturing artist and "internet celebrity" anchor. Lajin Entertainment would continue to promote Lajin Base's competitive edge and strive to secure cooperation of similar nature so as to deepen the co-operative relationship with the leading streaming platforms in the industry through quality content production in forms of livestreaming, short videos, music, artists and variety entertainment, to increase the stable income stream, as well as to ensure the maximum utilisation of its facilities. The management of Lajin Entertainment would regularly evaluate the utilisation and positioning of Lajin Base and formulate the best strategy for its deployment, together with optimising the operational model and human resources management for Lajin Base in order to maximise the return for Lajin Entertainment and its shareholders.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

12. 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 the group is healthcare business in Mainland China, which includes provision of hospital and clinic management services. The group is also involved in investment business including direct investment in the healthcare sector and investment in securities and properties.

    Based on its published financial information, the group had equity attributable to owners of Town Health of HK$4,071,271,000 at 31 December 2018. The group recorded a profit attributable to owners of Town Health of HK$64,014,000 for the year ended 31 December 2018.

    As disclosed in its 2018 annual report, Town Health had employed various measures to solve the problem of elevating labor costs due to a shortage of doctors and nursing professionals in Hong Kong for its self-operated healthcare services business in Hong Kong. However, as Hong Kong healthcare market was highly saturated, it would be quite difficult for Town Health to achieve rapid business growth under the intensively competitive environment. For its third-party administrator business in Hong Kong, Town Health would continue to enhance the service standard of Vio and actively seek for new service contracts in Hong Kong. Town Health expected that the current cost structure has been successfully controlled, and the pre-tax profit margin of the business could be maintained at a double-digit percentage level in the near future. For its health management centre business in Hong Kong, Town Health would continue to facilitate the co-operation between the health management centres with its insurance partners. The health management centre situated at China Life Group's building in Wan Chai would further its collaboration with China Life Group, in order to mobilise the China Life Group's sales team, to promote sales of health management products, and to provide more value-added services to China Life Group's high-end customers, hence creating mutual benefits to both parties. In addition to maintaining the sales channels in Hong Kong, the health management centre would proactively develop sales channels in Mainland China. For the future development of its cosmetic and medical beauty business segment, Town Health expected a stable development of its Hong Kong business, and strives to maintain a continual rapid growth of its Mainland China cosmetic and medical beauty business. Town Health would establish a telephone customer service centre in Mainland China, aiming to leverage the customer hotline platform to develop sales channels, and to build "The Beauty" brand. For its hospital management business in Mainland China, the new block of Nanshi Hospital was under construction, and was expected to

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

12. *(Continued)*

become the development milestone of Nanshi Hospital. In addition, Town Health would develop the newly acquired commercial building into a comprehensive high-end eye hospital. Town Health had incorporated its subsidiaries in Mainland China to provide professional hospital management services on different fields, namely professional marketing services, hospital property management services, and medical equipment and consumables procurement services. Town Health had obtained required trading licenses for procurement of medical consumables and medical equipment. Besides Nanshi Hospital, Town Health expected to further expand its hospital management business to other hospitals in Nanyang city. For its high-end dental business in Mainland China, Town Health targeted to implement an incentive scheme so as to build up a professional team. Town Health would continue to focus on offering high-end dental services to the public in Mainland China. As for the business of health management centre in Mainland China, Town Health's first Mainland China health management centre, located at Jinan's office building of the Shandong Branch of China Life Group, was under construction and was expected to commence operation by mid of 2019. Town Health strived to collaborate with China Life Group to integrate insurance and health management services, generating synergies for both parties. For its business of medical beauty centres in Mainland China, Town Health would cooperate with Taigang Medical in Taiyuan City to build a plastic surgery hospital, which would be completed by mid-2019. This would further strengthen Town Health's medical beauty business in Mainland China and expand its service network.

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 2019, Town Health issued an announcement relating to the recent development of trading resumption. As stated in the announcement, Town Health had previously made a resumption application to the SFC under section 9 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the laws of Hong Kong). Such application was in progress and would be considered by the board of the SFC. Town Health would continue to communicate with the SFC and seek to resume the trading of its shares on the Exchange.

The fair value of the shares in Town Health held by the Group of HK$7,113,000 at 30 June 2019 was based on a valuation report prepared by an independent professional valuer appointed by the Group.

Operations Review *(Continued)*

Sale of financial assets business *(Continued)*

Notes: (Continued)

13. Yunfeng Financial Group Ltd. ("**Yunfeng Financial**") and its subsidiaries are principally engaged in life insurance business and financial services in the areas of investment holding, asset management, pensions, other businesses and corporate services.

    Based on its published financial information, the group had equity attributable to owners of Yunfeng Financial of HK$9,220,770,000 at 31 December 2018. The group recorded a loss attributable to owners of Yunfeng Financial of HK$204,402,000 for the year ended 31 December 2018.

    As disclosed in its 2018 annual report, the development plan for the Greater Bay Area enabled Hong Kong fully leveraged the advantages of the global offshore Renminbi business hub and the international asset management center. "Shanghai-Hong Kong Stock Connect" and "Shenzhen-Hong Kong Stock Connect" promoted the activities of the financial markets and insurance businesses in Guangdong, Hong Kong and Macau. Yunfeng's position was based on Hong Kong, grasping the opportunities in the Greater Bay Area, connecting Mainland China and foreign countries, and using technology to enable financial institutions, to create a one-stop professional financial platform. In line with the ardent demands of the market, the "Fintech Business Department" had been established to improve Yunfeng's independent innovation capability on the one hand, and enhance the independence of technology solutions on the other hand. In addition to directly reaching To-C customers, it expanded To-B cooperation and directly provided financial technology solutions. Other existing business lines would explore new business opportunities, and leverage Yunfeng's own technological advantages to provide better financial services to the investors. The total population of the Greater Bay Area was approximately 70 million, with an economic aggregate of RMB10 trillion. It was the most economically powerful region in Mainland China. Yunfeng was ready to grasp the opportunities brought by the development of the Greater Bay Area and welcome the opportunity of the opening of the capital market. Looking forward to the future, Yunfeng would continue to forge itself as the best overseas investment platform, develop To-B cooperation as a supplement to the existing To-C business, and create synergistic effect. Yunfeng and its 60% owned subsidiary, YF Life Insurance International Limited, jointly cooperated online and offline to establish a stronger sales network and business, and offered a greater variety of products and more convenient businesses.

The directors believe that the future performance of the Hong Kong listed equities 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 equity portfolio, and proactively adjust the Group's equity portfolio mix in order to improve its performance.

Operations Review *(Continued)*

Money lending business

During the six months ended 30 June 2019, the Group's money lending business generated interest income on loans amounting to HK$52,362,000, a 5% increase from HK$49,950,000 for the previous period, and reported a segment profit (before taxation) of HK$44,522,000, a 15% increase from HK$38,705,000 for the previous period. The increase in segment results was mainly attributable to the reversal of a HK$3,644,000 allowance for credit losses on loan receivables previously made.

The average monthly outstanding balance of loan receivables (before accumulated allowance for credit losses) increased from HK$1,066,519,000 in the six months ended 30 June 2018 to HK$1,157,980,000 in the six months ended 30 June 2019. During the period under review, the Group granted a new loan in the principal amount of HK$15,000,000 to a customer and extended the final repayment dates of existing loans in the aggregate principal amount of HK$197,000,000. The Group's customers made drawings in the aggregate principal amount of HK$84,000,000 from the existing and new loans, and repaid HK$73,950,000 to the Group. In addition, the outstanding principal amount of HK$100,000,000 of a loan granted to a customer was utilised by the Group to subscribe for the shares of this customer in June 2019.

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$3,644,000 allowance for credit losses on loan receivables was reversed. At 30 June 2019, the Group's loan receivables together with accrued interest receivables (before accumulated allowance for credit losses) amounted to HK$1,102,745,000 (31 December 2018: HK$1,186,286,000).

Operations Review *(Continued)*

Sale of jewelry products business

During the six months ended 30 June 2019, the Group's sale of jewelry products business generated revenue of HK$28,464,000, a 35% increase from HK$21,151,000 for the previous period, and reported a segment loss (before taxation) of HK$630,000, a 80% decrease from HK$3,085,000 for the previous period.

After years of effort in business development, certain customers in the United States have commenced to place sales orders with the Group. As it was still at an early stage, the sales orders secured from these customers were not sizeable. In addition, the European customers have gradually increased their sales orders to the Group. Accordingly, the Group reported not only an increase in revenue of its sale of jewelry products, but also an improvement in gross profit margin in sale of jewelry products. In addition, the lower moulding and production costs in producing samples also contributed to the improvement in gross profit margin. Despite the escalating trade tension between the United States and Mainland China and uncertainty about Brexit, the Group has taken sales and marketing effort in expanding its customer base in order to improve the profitability of its sale of jewelry products business. 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$8,000 was recognised.

At 30 June 2019, the Group's inventories of jewelry products, including raw materials, work-in-progress and finished goods, amounted to HK$32,610,000 (31 December 2018: HK$33,222,000) and the Group's sale of jewelry products business had undelivered sales orders amounting to HK$1,800,000 (31 December 2018: HK$709,000).

Operations Review *(Continued)*

Property investment business

During the six months ended 30 June 2019, the Group's property investment business generated rental income of HK$12,970,000, a 45% decrease from HK$23,519,000 for the six months ended 30 June 2018, and recorded a segment loss (before taxation) of HK$39,383,000, whereas a segment profit (before taxation) of HK$11,438,000 was recorded in the six months ended 30 June 2018. The decrease in rental income was mainly due to the absence of the rental income generated from the Group's investment properties located in Guangzhou, Mainland China as such investment properties were disposed of on 22 June 2018. The deterioration of segment results was attributable to the loss of HK$12,700,000 on change in fair value of investment properties, whereas a gain of HK$24,700,000 was recorded in the previous period. Of the total rental income, HK$10,422,000 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.

In the fourth quarter of 2018, the Group has commenced a discussion with a Mainland China wedding planner relating to a co-operative arrangement for the provision of the open garden square and the buildings erected on the Subject Land as venue for wedding ceremony. If the co-operative arrangement is materialised, the first phase of the Subject Land will be utilised as venue for holding wedding ceremony. Given that the first phase of the Subject Land is also intended to be used for the development of a new business, namely cultural business, the new business is temporarily suspended pending for the outcome of the discussion. In April 2019, the Group has been approached by another Mainland China wedding planner which is interested in the similar co-operative arrangement for the provision of wedding ceremony venue. As at the date of this interim report, discussions with these two Mainland China wedding planners are still underway and no terms of the co-operative arrangements have been reached. Although the development of the cultural business is temporarily suspended, the Group has never stopped developing its cultural business. The Group has been seeking opportunities to improve the business plan of its cultural business. In July 2019, the Group has commenced a discussion with a state-owned communication center for establishing a cultural and creative experience hall on the first phase of the Subject Land in promoting Chinese culture. As at the date of this interim report, the discussion with the state-owned communication center is still at a preliminary stage and no terms have been reached. On finalising the terms and conditions of the co-operative arrangement for the provision of wedding ceremony venue, the Group shall carry out a thorough study to compare the business plans of the provision of wedding ceremony venue business with the cultural business and select the one which is viable and able to increase the occupancy rate of the hotel to be erected on the second and third phases of the Subject Land.

Operations Review *(Continued)*

Property investment business *(Continued)*

The new development plan for the second and third phases of the Subject Land was submitted to the relevant governmental authority for assessment opinion in obtaining the planning permit. The Group was informed that the new development plan had been agreed in principle and, before the issue of the planning permit, certain amendments had to be made to the new development plan in accordance with the comments made by the relevant governmental authority. The new development plan was amended in accordance with the comments and was re-submitted for further assessment opinion. As at the date of this interim report, no comments on the amended new development plan from the relevant governmental authority has been received and the planning permit has not been issued. Upon the issue of the planning permit, the Group shall submit the amended new development plan to another relevant governmental authority for obtaining the construction permit.

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. As there was no indication that the goodwill and intangible assets might be impaired, no impairment of goodwill or intangible 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$175,600,000 at 31 December 2018 to HK$162,900,000 at 30 June 2019. Accordingly, the Group recognised the loss of HK$12,700,000 arising on change in fair value of investment properties.

Operations Review *(Continued)*

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 2019, 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 the independent professional valuer, the fair value of the term loan decreased from HK$114,553,000 at 31 December 2018 to HK$88,412,000 at 30 June 2019 and Elite Prosperous recognised a loss of HK$26,141,000 arising on change in fair value of the term loan in profit or loss. During the six months ended 30 June 2019, Elite Prosperous reported a loss of HK$26,141,000 and the Group shared a loss of HK$12,809,000 from Elite Prosperous.

During the six months ended 30 June 2019, Global Mastermind reported a loss of HK$50,737,000 and the Group shared a loss of HK$14,734,000 from Global Mastermind. Global Mastermind reported an increase in loss in the first half of 2019, which was mainly due to (i) the recognition of impairment losses on trade and loan receivables, and (ii) an increase in finance costs resulted from the obtaining of a short-term loan for financing its working capital and the recognition of an imputed interest expenses on the convertible bonds issued on 13 November 2018.

Future Prospects

The ongoing trade tension between the United States and Mainland China and the implications of a no-deal Brexit have created uncertainty for the global economy. The global stock markets tend to be volatile in the second half of 2019. Accordingly, the directors cautiously monitor Hong Kong equity market and the fundamentals of each of the Hong Kong listed equities held by the Group. The directors will adjust the Group's equity portfolio from time to time and realise the Hong Kong listed equities held by the Group into cash as and when appropriate in the second half of 2019.

Given that the global economic outlook is uncertain, the Group will slow the pace of its money lending business in the second half of 2019. The directors expect the interest income on loans generated from the Group's money lending business in the second half of 2019 may be slightly less than the first half of 2019.

In 2017, the Group refined the business strategy for its sale of jewelry products business by targeting overseas retail chain stores and wholesale market in order to achieve a stable settlement on its trade debts. With a view to diversify its customer base, the Group has recently expanded its business into the United States. Due to the escalating trade tension between the United States and Mainland China and uncertainty about Brexit, the directors expect that it will take some time for the business strategy to be reflected in the performance of the Group's sale of jewelry products business. Due to seasonal factors, it is expected the Group's sale of jewelry products business in the second half of 2019 will be slightly improved as compared to the first half of 2019.

As the discussions on the business development on the first phase of the Subject Land are still underway, the directors expect the performance of the Group's property investment business in the second half of 2019 may be mostly the same as the first half of 2019.

In the second half of 2019, the directors will continue to cautiously monitor the business environment and strengthen the Group's business foundation by focusing the Group's existing businesses. In addition, the directors will continue to cautiously identify suitable investment opportunity for the Group to diversify its businesses and broaden its revenue base.

Events after the End of the Reporting Period

Subsequent to 30 June 2019, the fair value of the Group's financial assets at FVTPL decreased from HK$327,563,000 at 30 June 2019 to HK$278,853,000 at the date of this interim report.

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 2019 (2018: Nil).

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

At 30 June 2019, 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*	357,580,000	583,832,803	941,412,803	24.65%
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 2019.

Share Option Scheme

Pursuant to an ordinary resolution passed by the shareholders on 12 December 2011, the Company adopted a new share option scheme to replace the share option scheme adopted on 21 January 2002. The principal terms of the share option scheme were disclosed in the Company's 2018 annual report. Details of movements in the Company's share options during the six months ended 30 June 2019 are set out as follows:

		Number of share options					
	Share options type	Outstanding at 1 January 2019	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30 June 2019
Directors and chief executive							
Mr. Lei Hong Wai	2018	3,800,000	–	–	–	(3,800,000)	–
Mr. Cheung Kwok Wai Elton	2018	3,800,000	–	–	–	(3,800,000)	–
Mr. Cheung Kwok Fan	2018	3,800,000	–	–	–	(3,800,000)	–
Mr. Chan Kin Wah Billy	2018	38,190,000	–	–	–	(38,190,000)	–
Total directors and chief executive		49,590,000	–	–	–	(49,590,000)	–
Employees	2018	267,330,000	–	–	–	(267,330,000)	–
Total employees		267,330,000	–	–	–	(267,330,000)	–
Total		316,920,000	–	–	–	(316,920,000)	–
Exercisable at the end of the period							–

Details of specific categories of share options are as follows:

Share options type	Date of grant	Exercise period	Exercise price
2018	27 April 2018	27 April 2018 to 26 April 2019	HK$0.185

Substantial Shareholders

At 30 June 2019, 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*	357,580,000	–	583,832,803	941,412,803	24.65%
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	*5*	–	–	583,832,803	583,832,803	15.28%
Best Forth Limited	*5*	–	–	583,832,803	583,832,803	15.28%
Ms. Chu Yuet Wah	*5 and 6*	–	–	583,832,815	583,832,815	15.28%

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 2019.

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

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

Review of Financial Information

The Audit Committee has reviewed the 2019 interim report and the condensed consolidated financial statements for the six months ended 30 June 2019 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 2019 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, 29 August 2019