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Corporate Information

Board of Directors

Executive directors

Mr. Lei Hong Wai
(*Chairman and Chief Executive Officer*)
Mr. Cheung Kwok Wai Elton
Mr. Chan Kin Wah Billy
Mr. Cheung Kwok Fan

Independent non-executive directors

Mr. Wan Shing Chi
Mr. Ng Heung Yan
Mr. Wong Tak Chuen

Company Secretary

Mr. Chan Kin Wah Billy

Members of Audit Committee

Mr. Wong Tak Chuen (*Chairman*)
Mr. Wan Shing Chi
Mr. Ng Heung Yan

Members of Remuneration Committee

Mr. Ng Heung Yan (*Chairman*)
Mr. Lei Hong Wai
Mr. Wan Shing Chi

Members of Nomination Committee

Mr. Lei Hong Wai (*Chairman*)
Mr. Wan Shing Chi
Mr. Ng Heung Yan

Members of Finance Committee

Mr. Chan Kin Wah Billy (*Chairman*)
Mr. Wong Tak Chuen

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Unit 1211
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Principal Share Registrar and Transfer Office

Conyers Corporate Services (Bermuda)
Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited
Share Registration Public Office
Level 22, 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
Industrial and Commercial Bank of China
(Asia) Limited

Stock Code

764

Website

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Email Address

billy@eternityinv.com.hk

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, referred to as the “**Group**”) for the six months ended 30 June 2018 together with the comparative figures for 2017 as follows:

Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Continuing operations			
Revenue	3	101,629	16,658
Cost of sales		(22,377)	(18,051)
Gross profit/(loss)		79,252	(1,393)
Investment and other income	4	1,113	1,121
Other gains and losses	5	(209,179)	(197,979)
Selling and distribution expenses		(2,188)	(1,629)
Administrative expenses		(58,531)	(40,155)
Share of results of associates		3,877	(1)
Loss from operations		(185,656)	(240,036)
Finance costs	6	(27,631)	(5,396)
Loss before taxation		(213,287)	(245,432)
Income tax expense	7	(152)	(223)
Loss for the period from continuing operations	8	(213,439)	(245,655)
Discontinued operation			
Loss for the period from discontinued operation	9	—	(3)
Loss for the period		(213,439)	(245,658)

Condensed Consolidated Statement of Profit or Loss (Continued)

	Notes	Six months ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Loss for the period attributable to:			
Owners of the Company		(212,007)	(245,658)
Non-controlling interests		(1,432)	—
		(213,439)	(245,658)
Interim dividend	10	—	—
Loss per share	11		
From continuing and discontinued operations			
— Basic		HK(5.55) cents	HK(7.27) cents
— Diluted		HK(5.55) cents	HK(7.27) cents
From continuing operations			
— Basic		HK(5.55) cents	HK(7.27) cents
— Diluted		HK(5.55) cents	HK(7.27) cents
From discontinued operation			
— Basic		HK — cent	HK — cent
— Diluted		HK — cent	HK — cent

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	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
Loss for the period	(213,439)	(245,658)
Other comprehensive income for the period, net of income tax		
<i>Item that will not be reclassified to profit or loss:</i>		
Share of other comprehensive income of an associate	1,303	—
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Reclassification adjustment for a foreign operation disposed of	10,651	—
Exchange differences arising on translating foreign operations	(19,955)	49,598
Total comprehensive expense for the period	(221,440)	(196,060)
Total comprehensive expense for the period attributable to:		
Owners of the Company	(220,056)	(196,060)
Non-controlling interests	(1,384)	—
	(221,440)	(196,060)

Condensed Consolidated Statement of Financial Position

	Notes	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	685,014	664,795
Investment properties	13	258,700	810,019
Intangible assets	14	913,079	931,421
Goodwill	15	289,338	353,599
Interests in associates	16	226,798	38,393
Deferred tax assets	27	6,827	6,280
Prepayments	19	20,089	20,957
Loans receivables	17	508,000	574,503
		2,907,845	3,399,967
Current assets			
Inventories		39,643	38,453
Loans receivables	17	513,177	626,127
Trade receivables	18	30,412	41,107
Deposits, prepayments and other receivables	19	162,526	228,495
Amount due from an associate		1,480	1,480
Financial assets at fair value through profit or loss		343,852	662,943
Tax recoverable		323	323
Cash and cash equivalents		161,399	225,010
		1,252,812	1,823,938
Total assets		4,160,657	5,223,905
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	20	38,196	38,196
Reserves		3,017,200	3,228,193
Equity attributable to owners of the Company		3,055,396	3,266,389
Non-controlling interests		(1,468)	(84)
Total equity		3,053,928	3,266,305

Condensed Consolidated Statement of Financial Position (Continued)

	Notes	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
LIABILITIES			
Current liabilities			
Trade payables	21	4,186	8,452
Deposits received, accruals and other payables	22	137,110	383,528
Receipts in advance		39,392	43,467
Promissory note	23	—	—
Tax payables		91,155	87,659
Other borrowings	25	—	300,000
Bank borrowings	24	155,270	166,261
		427,113	989,367
Non-current liabilities			
Deposit received and other payables	22	102,304	91,834
Receipts in advance		27,000	37,800
Bank borrowings	24	—	185,193
Secured notes	26	299,501	299,398
Deferred tax liabilities	27	250,811	354,008
		679,616	968,233
Total liabilities		1,106,729	1,957,600
Total equity and liabilities		4,160,657	5,223,905
Net current assets		825,699	834,571
Total assets less current liabilities		3,733,544	4,234,538

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 2018

	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)	Equity-settled share-based payment reserve HK\$'000 (Unaudited)	Available-for-sale financial assets revaluation 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 2017 (originally stated)	32,160	1,722,165	19,833	404,663	9,848	144,250	(136,060)	–	1,052,286	3,249,145	(6)	3,249,139
Effect on early adoption of Hong Kong Financial Reporting Standard 9	–	–	–	–	–	(144,250)	–	–	144,250	–	–	–
At 1 January 2017 (restated)	32,160	1,722,165	19,833	404,663	9,848	–	(136,060)	–	1,196,536	3,249,145	(6)	3,249,139
Loss for the period	–	–	–	–	–	–	–	–	(245,658)	(245,658)	–	(245,658)
Other comprehensive income for the period	–	–	–	–	–	–	–	–	–	–	–	–
Exchange differences arising on translating foreign operations	–	–	–	–	–	–	49,598	–	–	49,598	–	49,598
Total comprehensive income/ (expense) for the period	–	–	–	–	–	–	49,598	–	(245,658)	(196,060)	–	(196,060)
Placing of new shares	6,432	96,480	–	–	–	–	–	–	–	102,912	–	102,912
Share issue expenses	–	(3,686)	–	–	–	–	–	–	–	(3,686)	–	(3,686)
Recognition of equity-settled share-based payment	–	–	–	–	10,523	–	–	–	–	10,523	–	10,523
Release on disposal of a subsidiary	–	–	(2,072)	–	–	–	–	–	2,072	–	–	–
Release on lapse of equity-settled share-based payment	–	–	–	–	(9,848)	–	–	–	9,848	–	–	–
At 30 June 2017	38,592	1,814,959	17,761	404,663	10,523	–	(86,462)	–	962,798	3,182,834	(6)	3,182,828
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 for the period	–	–	–	–	–	–	–	–	–	–	–	–
Share of other comprehensive income of an associate	–	–	–	–	–	–	–	1,303	–	1,303	–	1,303
Reclassification adjustment for a foreign operation disposed of	–	–	–	–	–	–	10,651	–	–	10,651	–	10,651
Exchange differences arising on translating foreign operations	–	–	–	–	–	–	(20,003)	–	–	(20,003)	48	(19,955)
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	38,196	1,807,051	17,761	404,663	9,063	–	(33,158)	383	811,427	3,055,396	(1,468)	3,053,928

Condensed Consolidated Statement of Cash Flows

		Six months ended 30 June	
Notes	2018	2017	
	HK\$'000	HK\$'000	
	(Unaudited)	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	299,103	(208,201)	
Interest paid	(30,208)	(5,403)	
Tax paid	(912)	(930)	
Net cash generated from/(used in) operating activities	267,983	(214,534)	
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash inflow on disposal of subsidiaries	162,286	172	
Deposit paid for acquisition of properties	—	(48,300)	
Purchase of property, plant and equipment	(35,669)	(17,353)	
Acquisition of interest in an associate	(153,142)	—	
Net cash inflow arising on other investing activities	964	39	
Net cash used in investing activities	(25,561)	(65,442)	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings	30,852	—	
Proceeds from placing of new shares	—	102,912	
Proceeds from other borrowings	—	150,000	
Repayment of bank borrowings	(36,465)	(13,725)	
Repayment of other borrowings	(300,000)	(150,000)	
Repayment of promissory note	—	(30,000)	
Share issue expenses	—	(3,686)	
Net cash (used in)/generated from financing activities	(305,613)	55,501	

Condensed Consolidated Statement of Cash Flows (Continued)

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Net decrease in cash and cash equivalents	(63,191)	(224,475)
Cash and cash equivalents at the beginning of the reporting period	225,010	438,975
Effect of foreign exchange rate changes	(420)	2,122
Cash and cash equivalents at the end of the reporting period	161,399	216,622
Analysis of the balances of cash and cash equivalents		
Cash at bank and on hand	161,399	216,622

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which is a collective term that includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA.

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period.

The condensed consolidated financial statements are presented in thousands of units of Hong Kong dollars (**HK\$’000**), which is also the functional currency of the Company.

2. Application of new and revised HKFRSs

The accounting policies and method of computation used in the condensed consolidated financial statements are consistent with those followed in the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2017, except as described below.

In the current period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA, which are effective for the Group’s financial period beginning from 1 January 2018. A summary of the amendments to HKFRSs adopted by the Group is set out as follows:

HKAS 40 (Amendments) HKFRSs (Amendments)	Transfers of Investment Property Annual Improvements to HKFRSs 2014-2016 Cycle except HKFRS 12 (Amendments)
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 <i>Financial Instruments</i> with HKFRS 4 <i>Insurance Contracts</i>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

2. Application of new and revised HKFRSs (Continued)

Except for application of HKFRS 15 stated below, the application of other new and revised HKFRSs has no material impact on the Group's financial performance and financial positions for the current and/or prior periods and/or on the disclosure set out in the condensed consolidated financial statements.

The Group has not applied any new and revised HKFRSs that have been issued but not yet effective for the current accounting period.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11 *Construction Contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or services in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised goods or services is regarded as being transferred over time:

- (a) when the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- (b) when the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; and
- (c) when the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

As the Group recognises its revenue at a point in time, the application of HKFRS 15 does not have significant impact on the amounts reported in the condensed consolidated financial statements.

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

For the six months ended 30 June 2018

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
(c)	Money lending	Money lending
(d)	Sale of jewelry products	Design and sale of jewelry products, and sale of precious stones

An operating segment regarding the distribution of films and sub-licensing of film rights was discontinued on 17 February 2017 upon the disposal of Riche Video Limited.

The sale of precious stones business has been suspended since the first quarter of 2017.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

3. Operating segments (Continued) Segment revenue and results For the six months ended 30 June 2018

	Continuing operations				Discontinued operation		
	Property investment HK\$'000 (Unaudited)	Sale of financial assets HK\$'000 (Unaudited)	Money lending HK\$'000 (Unaudited)	Sale of jewelry products HK\$'000 (Unaudited)	Sub-total HK\$'000 (Unaudited)	Distribution HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Segment revenue	23,519	7,009	49,950	21,151	101,629	–	101,629
Segment profit/(loss)	11,438	(214,823)	38,705	(3,085)	(167,765)	–	(167,765)
Interest income on bank deposits					117	–	117
Unallocated corporate income					335	–	335
Unallocated corporate expenses					(11,227)	–	(11,227)
Loss on disposal of subsidiaries					(10,993)	–	(10,993)
Finance costs					(27,631)	–	(27,631)
Share of results of associates					3,877	–	3,877
Loss before taxation					(213,287)	–	(213,287)
Income tax expense					(152)	–	(152)
Loss for the period					(213,439)	–	(213,439)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

3. Operating segments (Continued) Segment revenue and results (Continued)

For the six months ended 30 June 2017

	Continuing operations				Discontinued operation		Consolidated HK\$'000 (Unaudited)
	Property investment HK\$'000 (Unaudited)	Sale of financial assets HK\$'000 (Unaudited)	Money lending HK\$'000 (Unaudited)	Sale of jewelry products HK\$'000 (Unaudited)	Sub-total HK\$'000 (Unaudited)	Distribution HK\$'000 (Unaudited)	
Segment revenue	22,292	(51,925)	30,624	15,667	16,658	–	16,658
Segment (loss)/profit	(570)	(241,862)	29,943	(2,284)	(214,773)	(3)	(214,776)
Interest income on bank deposits					39	–	39
Unallocated corporate income					60	–	60
Unallocated corporate expenses					(25,362)	–	(25,362)
Gain on disposal of subsidiaries					1	–	1
Finance costs					(5,396)	–	(5,396)
Share of results of associates					(1)	–	(1)
Loss before taxation					(245,432)	(3)	(245,435)
Income tax expense					(223)	–	(223)
Loss for the period					(245,655)	(3)	(245,658)

Segment revenue from sale of jewelry products segment is recognised at a point in time at which customers obtain control of the promised goods or services in the contracts.

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

Segment results represent profit earned/(loss incurred) 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

3. Operating segments (Continued) Segment assets and liabilities At 30 June 2018

	Continuing operations				Discontinued operation		Consolidated HK\$'000 (Unaudited)
	Property investment HK\$'000 (Unaudited)	Sale of financial assets HK\$'000 (Unaudited)	Money lending HK\$'000 (Unaudited)	Sale of jewelry products HK\$'000 (Unaudited)	Sub-total HK\$'000 (Unaudited)	Distribution HK\$'000 (Unaudited)	
Segment assets							
– Hong Kong	434,988	534,006	1,022,988	68,547	2,060,529	–	2,060,529
– The People's Republic of China (the "PRC")	2,052,722	–	–	–	2,052,722	–	2,052,722
	2,487,710	534,006	1,022,988	68,547	4,113,251	–	4,113,251
Unallocated corporate assets							47,406
Consolidated total assets							4,160,657
Segment liabilities							
– Hong Kong	(128,697)	(12,112)	(4,007)	(33,002)	(177,818)	–	(177,818)
– The PRC	(611,873)	–	–	–	(611,873)	–	(611,873)
	(740,570)	(12,112)	(4,007)	(33,002)	(789,691)	–	(789,691)
Unallocated corporate liabilities							(317,038)
Consolidated total liabilities							(1,106,729)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

3. Operating segments (Continued) Segment assets and liabilities (Continued) At 31 December 2017

	Continuing operations				Sub-total HK\$'000 (Audited)	Discontinued operation	Consolidated HK\$'000 (Audited)
	Property investment HK\$'000 (Audited)	Sale of financial assets HK\$'000 (Audited)	Money lending HK\$'000 (Audited)	Sale of jewelry products HK\$'000 (Audited)		Distribution HK\$'000 (Audited)	
Segment assets							
– Hong Kong	242,294	726,458	1,284,413	70,973	2,324,138	–	2,324,138
– The PRC	2,668,627	–	–	–	2,668,627	–	2,668,627
	2,910,921	726,458	1,284,413	70,973	4,992,765	–	4,992,765
Unallocated corporate assets							231,140
Consolidated total assets							5,223,905
Segment liabilities							
– Hong Kong	(128,947)	(12,118)	(1,135)	(31,926)	(174,126)	–	(174,126)
– The PRC	(1,163,172)	–	–	–	(1,163,172)	–	(1,163,172)
	(1,292,119)	(12,118)	(1,135)	(31,926)	(1,337,298)	–	(1,337,298)
Unallocated corporate liabilities							(620,302)
Consolidated total liabilities							(1,957,600)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

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, amount due from an associate, certain deposits, prepayments, 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 receipts in advance 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 2018

	Continuing operations				Discontinued operation		
	Property investment HK\$'000 (Unaudited)	Sale of financial assets HK\$'000 (Unaudited)	Money lending HK\$'000 (Unaudited)	Sale of jewelry products HK\$'000 (Unaudited)	Sub-total HK\$'000 (Unaudited)	Distribution HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Amounts included in the measure of segment profit/(loss) and segment assets							
Additions to property, plant and equipment	35,669	-	-	-	35,669	-	35,669
Amortisation of intangible assets	(10,759)	-	-	-	(10,759)	-	(10,759)
Depreciation of property, plant and equipment	(10,911)	-	-	(30)	(10,941)	-	(10,941)
Dividend income	-	661	-	-	661	-	661
Gain arising on change in fair value of investment properties	24,700	-	-	-	24,700	-	24,700
Impairment loss recognised in respect of trade receivables	-	-	-	(477)	(477)	-	(477)
Loss arising on change in fair value of financial assets at fair value through profit or loss	-	(222,400)	-	-	(222,400)	-	(222,400)
Loss on disposal of property, plant and equipment	(9)	-	-	-	(9)	-	(9)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

3. Operating segments (Continued) Other segment information (Continued)

For the six months ended 30 June 2017

	Continuing operations				Discontinued operation		
	Property investment	Sale of financial assets	Money lending	Sale of jewelry products	Sub-total	Distribution	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Amounts included in the measure of segment (loss)/profit and segment assets							
Additions to property, plant and equipment	17,353	–	–	–	17,353	–	17,353
Amortisation of intangible assets	(9,950)	–	–	–	(9,950)	–	(9,950)
Depreciation of property, plant and equipment	(6,763)	–	–	(68)	(6,831)	–	(6,831)
Dividend income	–	1,022	–	–	1,022	–	1,022
Loss arising on change in fair value of financial assets at fair value through profit or loss	–	(190,837)	–	–	(190,837)	–	(190,837)
Loss arising on change in fair value of investment properties	(7,143)	–	–	–	(7,143)	–	(7,143)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

3. Operating segments (Continued)

Geographical segments

The Group mainly operates in Hong Kong and the PRC. The Group's revenue from external customers by geographical location is detailed below:

	Continuing operations		Discontinued operation	
	Six months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Australia	—	30	—	—
Europe	5,227	3,242	—	—
Hong Kong	73,845	(9,425)	—	—
The Middle East	—	467	—	—
The PRC	22,557	22,292	—	—
The United States of America	—	52	—	—
	101,629	16,658	—	—

4. Investment and other income

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Dividend income	661	1,022
Interest income on bank deposits	117	39
Sundry income	335	60
	1,113	1,121

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

5. Other gains and losses

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Continuing operations		
Gain/(loss) arising on change in fair value of investment properties	24,700	(7,143)
Impairment loss recognised in respect of trade receivables	(477)	—
Loss arising on change in fair value of financial assets at fair value through profit or loss	(222,400)	(190,837)
Loss on disposal of property, plant and equipment	(9)	—
(Loss)/gain on disposal of subsidiaries	(10,993)	1
	(209,179)	(197,979)

6. Finance costs

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Continuing operations		
Interest on bank borrowings	7,232	3,752
Interest on other borrowings	8,394	1,644
Imputed interest on secured notes	12,005	—
	27,631	5,396

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

7. Income tax expense

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Continuing operations		
Hong Kong Profits Tax		
– Current tax	(2,859)	(3,385)
PRC Enterprise Income Tax		
– Current tax	(915)	(1,982)
Deferred taxation credit (note 27)	3,622	5,144
	(152)	(223)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. The subsidiaries incorporated in the PRC are subject to the PRC Enterprise Income Tax at 25% for both periods.

The subsidiary incorporated in Dubai Multi Commodities Centre of United Arab Emirates enjoyed a 50-year tax holiday for corporate income tax from the date of its incorporation. The subsidiary was de-registered with effect from 28 August 2017.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

8. Loss for the period from continuing operations

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

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Continuing operations		
Amortisation of intangible assets (included in administrative expenses)	10,759	9,950
Cost of inventories sold	18,998	13,255
Depreciation of property, plant and equipment	10,941	6,831
Operating lease rentals in respect of rental premises	1,094	1,028
Operating lease rentals in respect of operating rights	8,742	8,277
Less: operating lease rentals capitalised	(5,783)	(5,430)
	2,959	2,847
Equity-settled share-based payment expenses in respect of consultancy services	—	702
Staff costs (including directors' emoluments):		
— salaries, allowances and benefits in kind	21,999	15,621
— contributions to retirement benefits schemes	159	221
— equity-settled share-based payment expenses	9,063	9,821
	31,221	25,663
Gross rental income from investment properties and operating rights	(23,519)	(22,292)
Less: direct operating expenses incurred for investment properties and operating rights that generated rental income during the period	10,268	5,930
Less: direct operating expenses incurred for investment properties that did not generate rental income during the period	369	81
	(12,882)	(16,281)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

9. Discontinued operation

On 17 February 2017, the Group entered into a sale and purchase agreement relating to the disposal of the entire issued share capital of Riche Video Limited (“**Riche Video**”), which was principally engaged in distribution of video products and holding of film rights. The Group discontinued its distribution of films and sub-licensing of film rights operation by disposing of Riche Video, which enabled the Group to concentrate resources on its existing businesses. The disposal was completed on 17 February 2017, being the date on which the control of Riche Video passed to the acquirer.

The loss for the period from 1 January 2017 to 17 February 2017 from the discontinued distribution of films and sub-licensing of film rights operation is set out below:

	<i>HK\$'000</i> (Unaudited)
Loss on distribution of films and sub-licensing of film rights operation	(3)
Gain on disposal of distribution of films and sub-licensing of film rights operation	1
	(2)

The results of the discontinued operation for the period from 1 January 2017 to 17 February 2017 were as follows:

	<i>HK\$'000</i> (Unaudited)
Revenue	—
Administrative expenses	(3)
Loss before taxation	(3)
Income tax expense	—
Loss for the period from discontinued operation	(3)

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

For the six months ended 30 June 2018

9. Discontinued operation *(Continued)*

The cash flows of the discontinued operation for the period from 1 January 2017 to 17 February 2017 were as follows:

	<i>HK\$'000</i> (Unaudited)
Net cash outflow from operating activities	(96)
Net cash outflow	(96)

10. Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

11. Loss per share

From continuing and discontinued operations

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

	Six months ended 30 June	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
<u>Loss for the purpose of basic and diluted loss per share</u>		
Loss for the period attributable to owners of the Company	(212,007)	(245,658)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

11. Loss per share (Continued) From continuing and discontinued operations (Continued)

	Six months ended 30 June	
	2018 '000 (Unaudited)	2017 '000 (Unaudited)
<u>Number of ordinary shares</u>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	3,819,606	3,379,472

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 and 2017.

From continuing operations

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

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<u>Loss for the purpose of basic and diluted loss per share</u>		
Loss for the period from continuing operations	(213,439)	(245,655)
Less: loss for the period from continuing operations attributable to non-controlling interests	1,432	—
Loss for the period from continuing operations attributable to owners of the Company	(212,007)	(245,655)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

11. Loss per share (Continued)

From continuing operations (Continued)

The denominators used are same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

From discontinued operation

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

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<u>Loss for the purpose of basic and diluted loss per share</u>		
Loss for the period from discontinued operation	—	(3)

The denominators used are same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

12. Property, plant and equipment

During the six months ended 30 June 2018, the Group acquired certain items of property, plant and equipment with an aggregate cost of HK\$35,669,000 (six months ended 30 June 2017: HK\$17,353,000). During the six months ended 30 June 2018, the Group disposed of certain items of property, plant and equipment with an aggregate carrying amount of HK\$9,000 (six months ended 30 June 2017: Nil), resulting in a loss on disposal of HK\$9,000 (six months ended 30 June 2017: Nil).

The Group has pledged its buildings located in Hong Kong with an aggregate carrying amounts of HK\$157,632,000 (31 December 2017: HK\$160,330,000) to secure the Group's bank borrowings.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

13. Investment properties

	HK\$'000
Fair value	
At 1 January 2017	561,089
Additions during the year	190,403
Gain arising on change in fair value recognised in profit or loss	20,013
Exchange alignment	38,514
<hr/>	
At 31 December 2017 (audited) and 1 January 2018	810,019
Disposal of subsidiaries (note 28)	(571,107)
Gain arising on change in fair value recognised in profit or loss (note 5)	24,700
Exchange alignment	(4,912)
<hr/>	
At 30 June 2018 (unaudited)	258,700

On 22 June 2018, the Group disposed of its investment properties located in the PRC through the disposal of the entire issued share capital of Best Volume Investments Limited ("**Best Volume**"). Please refer to note 28 to the condensed consolidated financial statements for details.

At 30 June 2018, the valuation of the investment properties located in Hong Kong carried at fair value was updated by an independent firm of qualified valuers, APAC Asset Valuation and Consulting Limited, using the same valuation technique as was used by the valuers when carrying out the valuation of December 2017. As a result of the update, a gain of HK\$24,700,000 (2017: a loss of HK\$7,143,000) arising on change in fair value was recognised in profit or loss for the six months ended 30 June 2018.

All of the Group's investment properties located in Hong Kong have been pledged to secure the Group's bank borrowings.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

14. Intangible assets

	Operating rights in respect of a piece of 580 Chinese acre land in Beijing, the PRC (the "Subject Land") HK\$'000	Operating rights in respect of a membership golf club and resort in Beijing, the PRC (the "Club") HK\$'000	Software and licenses HK\$'000	Total HK\$'000
Cost				
At 1 January 2017	861,433	53,215	37	914,685
Exchange alignment	60,389	3,730	3	64,122
At 31 December 2017 and 1 January 2018	921,822	56,945	40	978,807
Exchange alignment	(7,861)	(486)	—	(8,347)
At 30 June 2018	913,961	56,459	40	970,460
Accumulated amortisation and impairment losses				
At 1 January 2017	22,697	1,781	22	24,500
Charge for the year	18,954	1,487	15	20,456
Exchange alignment	2,250	177	3	2,430
At 31 December 2017 and 1 January 2018	43,901	3,445	40	47,386
Charge for the period	9,976	783	—	10,759
Exchange alignment	(708)	(56)	—	(764)
At 30 June 2018	53,169	4,172	40	57,381
Carrying amounts				
At 30 June 2018 (unaudited)	860,792	52,287	—	913,079
At 31 December 2017 (audited)	877,921	53,500	—	931,421

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

15. Goodwill

	HK\$'000
Cost	
At 1 January 2017	376,902
Exchange alignment	26,421
At 31 December 2017 and 1 January 2018	403,323
Disposal of subsidiaries (note 28)	(61,246)
Exchange alignment	(3,439)
At 30 June 2018	338,638
Accumulated impairment losses	
At 1 January 2017	44,713
Impairment loss recognised	1,813
Exchange alignment	3,198
At 31 December 2017 and 1 January 2018	49,724
Eliminated on disposal of subsidiaries (note 28)	—
Exchange alignment	(424)
At 30 June 2018	49,300
Carrying amounts	
At 30 June 2018 (unaudited)	289,338
At 31 December 2017 (audited)	353,599

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

16. Interests in associates

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Listed shares in Hong Kong		
– Global Mastermind Holdings Limited ("Global Mastermind")	186,600	–
Unlisted shares in Hong Kong		
– China Hong Kong Money Limited	597	597
– Elite Prosperous Investment Limited	39,601	37,796
– Spark Concept Group Limited	–	–
	226,798	38,393
Market value of listed shares		
– Global Mastermind	170,810	–

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 the GEM of The Stock Exchange of Hong Kong Limited 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 fair value through profit or loss" 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

17. Loans receivables

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Loans to customers	1,011,795	1,187,301
Accrued interest receivables	9,382	13,329
	1,021,177	1,200,630
Less: impairment loss recognised	—	—
	1,021,177	1,200,630

All loans are denominated in Hong Kong dollars. The loans receivables carry effective interest ranging from 8% to 15% per annum (31 December 2017: 8% to 15% per annum). A maturity profile of the loans receivables (net of impairment loss recognised, if any) at the end of the reporting periods, based on the maturity date is as follows:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Current assets		
Within one year	513,177	626,127
Non-current assets		
More than one year but not exceeding two years	508,000	574,503
	1,021,177	1,200,630

At 30 June 2018, certain loans in the aggregate principal amounts of HK\$130,000,000 (31 December 2017: HK\$180,000,000) are secured by a personal guarantee and a corporate guarantee.

In determining the recoverability of the loans receivables, the directors of the Company have considered any change in the credit quality of the loans receivables during the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

18. Trade receivables

The following is an aging analysis of the trade receivables (net of allowance for doubtful debts, if any) at the end of the reporting period presented based on the invoice dates:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
0-30 days	4,218	5,333
31-60 days	3,606	11,503
61-90 days	2,782	6,139
91-120 days	2,535	3,195
121-180 days	5,949	11,469
Over 180 days	11,322	3,468
	30,412	41,107

The Group allows credit period ranging from 0 to 270 days to its customers.

Movement in the allowance for doubtful debts during the reporting period is as follows:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
At the beginning of the reporting period	—	—
Impairment loss recognised	477	—
Amounts written off as uncollectible	(477)	—
At the end of the reporting period	—	—

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

19. Deposits, prepayments and other receivables

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Deposits	351	12,081
Prepayments	72,998	71,141
Other receivables	109,266	166,230
	182,615	249,452
Less: prepayments classified as non-current assets	(20,089)	(20,957)
	162,526	228,495

20. Share capital

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each (2017: HK\$0.01 each)		
Authorised:		
At 1 January 2017, 31 December 2017, 1 January 2018 and 30 June 2018	10,000,000	100,000
Issued and fully paid:		
At 1 January 2017	3,216,006	32,160
Placing of new shares	643,200	6,432
Repurchase of shares	(39,600)	(396)
At 31 December 2017 (audited), 1 January 2018 and 30 June 2018 (unaudited)	3,819,606	38,196

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

21. Trade payables

The following is an aging analysis of trade payables at the end of the reporting period presented based on the invoice dates:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
0-30 days	707	819
31-60 days	361	219
61-90 days	307	1,660
91-120 days	50	544
Over 120 days	2,761	5,210
	4,186	8,452

The average credit period on purchase of goods and services is 120 days.

22. Deposits received, accruals and other payables

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Deposits received	1,437	237,694
Accruals	21,706	21,285
Other payables	216,271	216,383
	239,414	475,362
Less: deposit received and other payables classified as non-current liabilities	(102,304)	(91,834)
	137,110	383,528

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

23. Promissory note

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
At the beginning of the reporting period	—	30,000
Repayment of promissory note	—	(30,000)
At the end of the reporting period	—	—

24. Bank borrowings

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Secured bank borrowings	155,270	351,454
Carrying amounts repayable:		
Within one year	30,514	38,836
More than one year, but not exceeding two years	—	13,634
More than two years, but not exceeding five years	—	40,901
Over five years	—	130,658
	30,514	224,029
Carrying amounts that contain a repayable on demand clause (shown under current liabilities) but repayable:		
Within one year	5,583	5,261
More than one year, but not exceeding two years	10,641	5,373
More than two years, but not exceeding five years	16,891	16,805
Over five years	91,641	99,986
	124,756	127,425
	155,270	351,454
Less: amounts shown under current liabilities	(155,270)	(166,261)
Amounts shown under non-current liabilities	—	185,193

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

24. Bank borrowings (Continued)

At 30 June 2018, the Group had the following bank borrowings:

- (a) a secured mortgage loan of HK\$124,756,000 (31 December 2017: HK\$127,425,000), 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\$416,332,000 (31 December 2017: HK\$394,330,000), 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 2017: 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\$416,332,000 (31 December 2017: HK\$394,330,000), guaranteed by the Company and Om Gem Limited, and maturing on 17 October 2018; and
- (c) a secured account payable financing of HK\$10,514,000 (31 December 2017: HK\$5,203,000), 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\$416,332,000 (31 December 2017: HK\$394,330,000) guaranteed by the Company and Om Gem Limited, and maturing in five months commencing from July 2018.

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.

25. Other borrowings

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Unsecured other borrowings	—	300,000

The unsecured other borrowings are interest bearing at 8% per annum, and guaranteed by two personal guarantees given by Mr. Lei Hong Wai, an executive director of the Company. Of the total unsecured other borrowings, HK\$200,000,000 and HK\$100,000,000 matured on 27 April 2018 and 1 June 2018 respectively.

The unsecured other borrowings were repaid at maturity.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

26. Secured notes

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Secured notes	299,501	299,398
		<i>HK\$'000</i>
At 1 January 2017		—
Issue of secured notes		299,326
Imputed interest on secured notes		8,554
Interest paid and payable		(8,482)
At 31 December 2017 (audited) and 1 January 2018		299,398
Imputed interest on secured notes (<i>note 6</i>)		12,005
Interest paid and payable		(11,902)
At 30 June 2018 (unaudited)		299,501

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

27. Deferred tax assets/liabilities

For the purposes of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Deferred tax assets	6,827	6,280
Deferred tax liabilities	(250,811)	(354,008)
	(243,984)	(347,728)

The followings are the major deferred tax liabilities and assets recognised and movements thereon:

	Revaluation of investment properties HK\$'000	Fair value adjustment on acquisition of subsidiaries HK\$'000	Amortisation of operating lease HK\$'000	Total HK\$'000
At 1 January 2017	(98,704)	(240,694)	4,738	(334,660)
Credit to consolidated statement of profit or loss	5,896	5,702	1,170	12,768
Exchange alignment	(6,715)	(19,493)	372	(25,836)
At 31 December 2017 (audited) and 1 January 2018	(99,523)	(254,485)	6,280	(347,728)
Credit to condensed consolidated statement of profit or loss (note 7)	—	3,001	621	3,622
Disposal of subsidiaries (note 28)	98,675	—	—	98,675
Exchange alignment	848	673	(74)	1,447
At 30 June 2018 (unaudited)	—	(250,811)	6,827	(243,984)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

28. Disposal of subsidiaries

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 of Best Volume and its subsidiaries

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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

28. Disposal of subsidiaries (Continued)

Riche Video

On 17 February 2017, the Group entered into a sale and purchase agreement relating to the disposal of the entire issued share capital of Riche Video and the shareholder's loan of HK\$39,851,000 due by Riche Video to an independent third party, at a cash consideration of HK\$173,000. The disposal was completed on 17 February 2017.

Analysis of assets and liabilities over which control was lost

	HK\$'000
Club debenture	172
Cash and cash equivalents	1
Amount due to immediate holding company	(39,851)
Accruals	(1)
Net liabilities disposed of	(39,679)

Gain on disposal of a subsidiary

	HK\$'000
Cash consideration received	173
Net liabilities disposed of	39,679
Less: shareholder's loan assigned to the purchaser	(39,851)
Gain on disposal of a subsidiary	1

Net cash inflow arising on disposal of Riche Video

	HK\$'000
Cash consideration received	173
Less: cash and cash equivalents disposed of	(1)
Net cash inflow	172

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

29. Commitments

(a) Lease commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Within one year	15,370	15,141
In the second to fifth year inclusive	55,985	56,413
Over five years	650,251	653,277
	721,606	724,831

Operating lease payments represent rentals payable by the Group for its office premises and the operating rights in respect of (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. Leases in respect of the office premises are mainly negotiated for an average term of three years and rentals are fixed for an average of three years. The Group does not have an option to purchase the leased premises and the operating rights in respect of the Club and the Subject Land at the expiry of the lease period.

The Group as lessor

Rental income from the Group's investment properties and the assets of the Club earned during the period was HK\$23,519,000 (30 June 2017: HK\$22,292,000). All of the Group's investment properties are held for rental purposes. The investment properties are expected to generate rental yields of 0.37% (30 June 2017: 2.12%) on an ongoing basis. The investment properties have committed tenants for the next 2.8 years (31 December 2017: 7 years).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

29. Commitments (Continued)

(a) Lease commitments (Continued)

The Group as lessor (Continued)

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Within one year	5,095	24,292
In the second to fifth year inclusive	9,228	79,277
Over five years	—	25,125
	14,323	128,694

(b) Other commitments

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

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Capital expenditures for the Subject Land	20,310	40,292
Renovation costs for the properties located in Hong Kong	—	4,779
	20,310	45,071

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

30. Fair value measurement 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.

In estimating the fair value, the Group uses unadjusted quoted prices in active markets for identical assets or liabilities to the extent they are 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 of directors of the Company twice a year to explain the cause of fluctuations in fair value.

Fair value measurements categorised into

	Level 1		Level 2		Level 3		Total	
	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Financial Assets								
Financial assets at fair value through profit or loss								
– Listed equity securities	337,896	653,843	–	–	5,956	9,100	343,852	662,943

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

30. Fair value measurement of financial instruments (Continued)

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

Fair value hierarchy (Continued)

	Fair value at 30 June 2018 HK\$'000 (Unaudited)	Fair value at 31 December 2017 HK\$'000 (Audited)	Fair value hierarchy	Valuation techniques and key inputs
Financial assets				
Financial assets at fair value through profit or loss				
— Listed equity securities	337,896	653,843	Level 1	Unadjusted quoted closing prices in active markets
— Listed equity security	5,956	9,100	Level 3	Market approach using significant unobservable inputs

During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2017: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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 fair value through profit or loss	Market approach	Discount rate of 78.79% (31 December 2017: 79.48%)	The discount rate is negatively correlated to the fair value.
— Listed equity security		Holdings return basis of negative 45.45%	The holding return basis is positively correlated to the fair value.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018

30. Fair value measurement 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)

One of the listed equity securities held by the Group, which is classified as a financial asset at fair value through profit or loss, has been suspended from trading since 27 November 2017. At 30 June 2018, the fair value of the listed equity security was measured by Graval Consulting Limited, an independent firm of qualified valuers, (31 December 2017: Prudential Surveyors (Hong Kong) Limited) using a valuation technique with significant unobservable inputs.

The movement during the six months ended 30 June 2018 in the balance of Level 3 fair value measurement is as follows:

	Financial asset at fair value through profit or loss HK\$'000
At 1 January 2017	—
Transfer from Level 1 fair value measurement	87,500
Loss arising on change in fair value recognised in profit or loss	(78,400)
At 31 December 2017 (audited) and 1 January 2018	9,100
Loss arising on change in fair value recognised in profit or loss	(3,144)
At 30 June 2018 (unaudited)	5,956

The losses arising from the remeasurement of the suspended listed equity security are presented in the "other gains and losses" line item in the condensed consolidated statement of profit or loss.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2017 and 30 June 2018, except for the secured notes, which had a carrying amount and fair value of HK\$299,501,000 (31 December 2017: HK\$299,398,000) and HK\$311,367,000 (31 December 2017: HK\$311,630,000) at 30 June 2018 respectively.

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

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

For the six months ended 30 June 2018

31. Contingent liabilities

At 30 June 2018, the Group had no material contingent liabilities.

32. Events after the end of the reporting period

Subsequent to 30 June 2018 and up to the date of this interim report, the Group had the following material events:

- (a) On 3 July 2018, the Group transferred one and a half office units of its properties located at Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong with an aggregate carrying amount of HK\$72,900,000 from "investment properties" to "property, plant and equipment" in the consolidated statement of financial position as the use of these office units was changed from investment to own use.
- (b) On 2 August 2018, the Company issued an inside information announcement about the board of directors' decision to pursue cultural business in the PRC to promote Chinese culture, customs and traditions. In pursuit of the cultural business, seven of the nine hotel villas erected on the first phase of the Subject Land are demolished for constructing a cultural square with an area of approximately 60,000 square metres for carrying out the cultural business. The demolition of the seven hotel villas results in (i) the recognition of a written-off of construction in progress under property, plant and equipment of HK\$208,840,000 in the year ending 31 December 2018, and (ii) a HK\$208,840,000 decrease in equity attributable to the owners of the Company at 31 December 2018. Please refer to the Company's inside information announcement dated 2 August 2018 for more details.
- (c) On 9 August 2018, the Group disposed of its 49% equity interest in and the shareholder's loan of HK\$7,393,000 (before accumulated impairment of HK\$5,913,000) due by Spark Concept Group Limited at a consideration of HK\$3,000,000 and recorded a gain on disposal of HK\$1,520,000 (subject to audit).

33. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue by the Board on 30 August 2018.



國衛會計師事務所有限公司
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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 47, 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 2018 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.

INDEPENDENT REVIEW REPORT *(Continued)*

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, 30 August 2018

Management Discussion and Analysis

Financial Review

On 17 February 2017, the Group ceased its film distribution business by disposing of the entire issued share capital of Riche Video Limited (“**Riche Video**”), a wholly-owned subsidiary of the Company, in order to concentrate resources on its existing businesses. Accordingly, the results of Riche Video were presented separately as discontinued operation for the six months ended 30 June 2017 for financial reporting purposes. Riche Video was principally engaged in distribution of video products and holding of film rights.

Loss attributable to owners of the Company for the six months ended 30 June 2018 amounted to HK\$212,007,000, a 13.70% decrease from HK\$245,658,000 for the six months ended 30 June 2017. The improvement in the results is discussed in the section headed “*Results of continuing operations*” and “Operations Review” below.

Results of continuing operations

During the six months ended 30 June 2018, the Group recorded a revenue of HK\$101,629,000, a 510.09% increase from HK\$16,658,000 for the previous period. This increase was attributable to (i) the sale of financial assets reporting a revenue of HK\$7,009,000 in the six months ended 30 June 2018, whereas a loss of HK\$51,925,000 was reported in the previous period, and (ii) a HK\$19,326,000 increase in loan interest income. Of the total revenue, HK\$49,950,000 was generated from money lending, HK\$21,151,000 was generated from sale of jewelry products, HK\$23,519,000 was generated from property investment, and HK\$7,009,000 was generated from sale of financial assets.

Loss for the period from continuing operations amounted to HK\$213,439,000, a 13.11% improvement from HK\$245,655,000 for the six months ended 30 June 2017. This improvement was mainly attributable to an HK\$80,645,000 increase in gross profit and a HK\$3,878,000 increase in share of results of associates, which were partly offset by a HK\$11,200,000 increase in net loss of other gains and losses, a HK\$559,000 increase in selling and distribution expenses, an HK\$18,376,000 increase in administrative expenses, and a HK\$22,235,000 increase in finance costs.

Gross profit for sale of jewelry products decreased by 10.74% from HK\$2,412,000 in the six months ended 30 June 2017 to HK\$2,153,000 in the six months ended 30 June 2018 and gross profit margin for sale of jewelry products decreased from 15.40% in the six months ended 30 June 2017 to 10.18% in the six months ended 30 June 2018. These decreases are discussed in the section headed “*Sale of jewelry products business*” under “Operations Review” below.

Management Discussion and Analysis (Continued)

Financial Review (Continued)

Results of continuing operations (Continued)

Gross profit for property investment increased by 15.11% from HK\$17,496,000 in the six months ended 30 June 2017 to HK\$20,139,000 in the six months ended 30 June 2018. Gross profit margin for property investment increased from 78.49% in the six months ended 30 June 2017 to 85.63% in the six months ended 30 June 2018. These increases were mainly attributable to the reversal of the previously over-provided Mainland China Business Tax of HK\$6,889,000.

Other gains and losses recorded by the Group during the six months ended 30 June 2018 are as follows:

- (a) At the end of the reporting period, the Group measured the investment properties located at Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong at fair value and recognised a gain of HK\$24,700,000 arising on change in fair value of investment properties.
- (b) At the end of the reporting period, the Group recognised an impairment loss of HK\$477,000 on trade receivables, which were relating to the Group's sale of jewelry products business, with past due over 90 days.
- (c) Upon completion of the acquisition of 1,020,000,000 shares in Global Mastermind Holdings Limited ("**Global Mastermind**"), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") under stock code: 8063, the Group measured the 217,750,000 shares in Global Mastermind already held by it at market price for transferring these shares to "interests in associates" in applying equity method to account for the Group's investment in Global Mastermind. As a result, the Group recognised a gain of HK\$554,000 arising on change in fair value of financial assets at fair value through profit or loss.

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 and recognised a loss of HK\$222,954,000 arising on change in fair value of financial assets at fair value through profit or loss.

Management Discussion and Analysis (Continued)

Financial Review (Continued)

Results of continuing operations (Continued)

- (d) During the six months ended 30 June 2018, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$9,000 and recognised a loss on disposal of HK\$9,000.
- (e) On 22 June 2018, the Group disposed of the entire issued share capital of Best Volume Investments Limited (“**Best Volume**”) at a consideration of HK\$405,000,000 and recognised a loss on disposal of HK\$10,993,000. The principal asset of Best Volume and its subsidiaries is the investment properties located at No. 33 Nonglinxia Road, Yuexiu District, Guangzhou, Mainland China (the “**Guangzhou Property**”).

Selling and distribution expenses mainly represent staff costs of sales teams, overseas travelling expenses, freight charges, and exhibition expenses incurred by the Group’s sale of jewelry products business. Selling and distribution expenses increased by 34.32% from HK\$1,629,000 in the six months ended 30 June 2017 to HK\$2,188,000 in the six months ended 30 June 2018. This increase was mainly attributable to the increases in overseas travelling expenses and exhibition expenses.

Administrative expenses amounted to HK\$58,531,000 for the six months ended 30 June 2018, a 45.76% increase from HK\$40,155,000 for the previous period. This increase was mainly attributable to (i) a HK\$5,396,000 increase in general and administrative expenses due to increased operating activities in Beijing, Mainland China, (ii) a HK\$3,543,000 increase in depreciation expense resulted from the acquisition of certain office units in Hong Kong for own use in September 2017, (iii) a HK\$1,018,000 increase in overseas travelling expenses, and (iv) a HK\$5,515,000 increase in staff costs (including directors’ emoluments) due to an increase in directors’ emoluments and increased operating activities in Beijing, Mainland China.

Share of results of associates amounted to HK\$3,877,000 for the six months ended 30 June 2018, which represented (i) the share of profit of HK\$470,000 from Elite Prosperous Investment Limited (“**Elite Prosperous**”), a 49% owned associate of the Company, and (ii) a gain on bargaining purchase of HK\$3,407,000 arising from the acquisition of shares in Global Mastermind as discussed in the section headed “*Investments in associates*” under “Operations Review” below.

Management Discussion and Analysis (Continued)

Financial Review (Continued)

Results of continuing operations (Continued)

Finance costs increased by 412.06% from HK\$5,396,000 in the six months ended 30 June 2017 to HK\$27,631,000 in the six months ended 30 June 2018. Such increase was mainly due to the inclusion of imputed interest of HK\$12,005,000 on the HK\$300,000,000 8% secured notes due 2020 issued by the Company on 25 August 2017 (the “**Secured Notes**”), whereas no such imputed interest was recognised in the previous period.

Income tax expense decreased from HK\$223,000 in the six months ended 30 June 2017 to HK\$152,000 in the six months ended 30 June 2018. Such decrease was attributable to a HK\$1,593,000 decrease in current tax expense, which was partly offset by a HK\$1,522,000 decrease in deferred taxation credit resulted from the disposal of the Guangzhou Property through the disposal of Best Volume.

Results of discontinued operation

Loss from discontinued operation for the six months ended 30 June 2017 amounted to HK\$3,000, which represented the results of Riche Video for the period from 1 January 2017 to 17 February 2017, being the date on which Riche Video ceased to be a subsidiary of the Company.

Liquidity and financial resources

During the six months ended 30 June 2018, 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\$3,266,389,000 at 31 December 2017 to HK\$3,055,396,000 at 30 June 2018. This decrease was mainly attributable to the loss incurred by the Group for the six months ended 30 June 2018.

At 30 June 2018, the cash and cash equivalents of the Group amounted to HK\$161,399,000 (31 December 2017: HK\$225,010,000).

Management Discussion and Analysis (Continued)

Financial Review (Continued)

Liquidity and financial resources (Continued)

At 30 June 2018, the Group had outstanding borrowings of HK\$454,771,000 (31 December 2017: HK\$950,852,000) representing:

- (a) the carrying amount of HK\$299,501,000 of the Secured Notes, which are interest bearing at 8.00% per annum, secured by a share charge over 100% issued shares in China Jiu hao Health Industry Group Limited, a wholly-owned subsidiary of the Company and the principal assets of which are (i) the rights to construct and operate the club facilities of 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; and
- (b) the banking facilities in the aggregate principal amount of HK\$155,270,000, comprising (i) an instalment loan of HK\$124,756,000, 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 17 October 2018; and (iii) various advances in the aggregate principal amount of HK\$10,514,000 under the account payable financing facilities, which is 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 2018.

The decrease in the Group’s borrowings was attributable to (i) the repayment of two short-term loans in the aggregate principal amount of HK\$300,000,000, and (ii) the disposal of the Renminbi bank loan with an outstanding principal amount of RMB166,201,000 (equivalent to HK\$198,826,000) at 31 December 2017 through the disposal of Best Volume.

Management Discussion and Analysis (Continued)

Financial Review (Continued)

Gearing ratio

At 30 June 2018, the gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of the Company was 14.88% (31 December 2017: 29.11%).

Net current assets and current ratio

At 30 June 2018, the Group's net current assets and current ratio were HK\$825,699,000 (31 December 2017: HK\$834,571,000) and 2.93 (31 December 2017: 1.84) respectively.

Capital structure

During the six months ended 30 June 2018, there was no change in the Company's capital structure.

Material acquisition

On 29 June 2018, the Group acquired 1,020,000,000 shares in Global Mastermind at a consideration of HK\$153,000,000. The acquisition constituted a discloseable transaction of the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and was subject to announcement requirement only under the Listing Rules. Prior to the acquisition, the Group already held 217,750,000 shares in Global Mastermind. Upon completion of the acquisition, the Group is interested in 29.04% of the issued share capital of Global Mastermind and Global Mastermind is treated as an associate in accordance with Hong Kong Accounting Standard 28 *Investments in Associates and Joint Ventures* for financial reporting purposes.

Material disposal

On 22 June 2018, the Group disposed of the entire issued share capital of Best Volume at the consideration of HK\$405,000,000 and recognised the loss on disposal of HK\$10,993,000. The principal asset of Best Volume and its subsidiaries is the Guangzhou Property. The disposal constituted a major transaction of the Company under the Listing Rules and was approved by the shareholders at the Company's special general meeting held on 27 February 2018. Upon completion of the disposal, Best Volume ceased to be a subsidiary of the Company.

Management Discussion and Analysis *(Continued)*

Financial Review *(Continued)*

Pledge of assets

At 30 June 2018, the following Group's assets were pledged:

- (a) the Shun Tak Property with a carrying amount of HK\$416,332,000 (31 December 2017: HK\$394,330,000), of which HK\$157,632,000 classified under property, plant and equipment (31 December 2017: HK\$160,330,000), and HK\$258,700,000 classified under investment properties (31 December 2017: HK\$234,000,000) for securing the banking facilities granted to the Group; and
- (b) the 100% issued shares in China Jiu hao Health Industry Group Limited with an unaudited combined net assets of HK\$1,442,849,000 after adjusting for purchase price allocation (31 December 2017: HK\$1,338,524,000) for securing the Secured Notes.

Material commitments

At 30 June 2018, the Group had a total commitment of HK\$48,802,000 (31 December 2017: HK\$40,292,000) 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 cashflow exchange risk exposures and where considered appropriate use of 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 2018, no financial instruments for hedging purposes were used by the Group.

Contingent liabilities

At 30 June 2018, the Group had no material contingent liabilities.

Management Discussion and Analysis (Continued)

Financial Review (Continued)

Employees and remuneration policy

At 30 June 2018, the headcount of the Group was 86 (30 June 2017: 38). Staff costs (including directors' emoluments) amounted to HK\$31,221,000 in the six months ended 30 June 2018 (six months ended 30 June 2017: HK\$25,663,000). The increase in staff costs was attributable to the increase in directors' emoluments and increased operating activities in Beijing, Mainland China, which was partly offset by a HK\$758,000 decrease in equity-settled share-based payment expenses. In addition to basic salaries, contributions to retirement benefits scheme and discretionary bonus, staff benefits include medical scheme and share options.

Operations Review

Sales of financial assets business

During the six months ended 30 June 2018, the Group's sale of financial assets business reported a segment loss (before taxation) of HK\$214,823,000, which mainly included (i) a gain of HK\$7,009,000 from trading of Hong Kong listed equities, (ii) a loss of HK\$222,400,000 arising on change in fair value of financial assets at fair value through profit or loss, and (iii) the dividend income from Hong Kong listed equities held by the Group of HK\$661,000. The reporting of the segment loss was mainly due to a loss of HK\$173,727,000 arising on change in fair value of the listed equities in Kingston Financial Group Ltd. (stock code: 1031) held by the Group.

During the six months ended 30 June 2018, the Group acquired three Hong Kong listed equities with the aggregate acquisition costs of HK\$10,324,000 and made a trading gain of HK\$7,009,000 from disposing of two Hong Kong listed equities with the aggregate carrying amount plus transactions costs of HK\$77,184,000 at the aggregate sale proceeds of HK\$84,193,000. Upon completion of the acquisition of 1,020,000,000 shares in Global Mastermind on 29 June 2018, the 217,750,000 shares in Global Mastermind already held by the Group with a carrying amount of HK\$30,049,000 were transferred to "interests in associates" in applying equity method to account for the Group's investment in Global Mastermind.

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Sales of financial assets business (Continued)

Movements in the Hong Kong listed equities held by the Group during the six months ended 30 June 2018 and 2017 are as follows:

	2018 HK\$'000	2017 HK\$'000
Carrying amount at 1 January	662,943	544,442
Add: acquisitions	10,324	79,973
re-classification from available-for-sale financial assets	—	365,000
gain arising on change in fair value upon transfer to interests in associates	554	—
Less: disposals	(76,966)	(274,224)
transfer to interests in associates	(30,049)	—
loss arising on change in fair value	(222,954)	(190,837)
Carrying amount at 30 June	343,852	524,354

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Sales of financial assets business (Continued)

Details of the Hong Kong listed equities held by the Group at 30 June 2018 are as follows:

Name of Hong Kong listed equities	Notes	Number of shares held at 30 June 2018	Fair value at 30 June 2018 HK\$'000	Fair value as compared to the consolidated total assets of the Group at 30 June 2018	Gain/(loss) arising on change in fair value recognised in the six months ended 30 June 2018 HK\$'000
Affluent Partners Holdings Ltd. (stock code: 1466)	1	13,000,000	68,250	1.64%	(12,095)
Brockman Mining Ltd. (stock code: 159)	2	40,220,000	7,400	0.18%	2,856
CBK Holdings Ltd. (stock code: 8428)	3	21,720,000	3,888	0.09%	934
China Healthcare Enterprise Group Ltd. (stock code: 1143)	4	30,000,000	5,340	0.13%	(3,360)
China Healthwise Holdings Ltd. (stock code: 348)	5	708,396,000	57,380	1.38%	6,375
Frontier Services Group Ltd. (stock code: 500)	6	4,800,000	7,104	0.17%	(768)
Hsin Chong Group Holdings Ltd. (stock code: 404)	7	90,000,000	—	—	—
Huayi Tencent Entertainment Company Ltd. (stock code: 419)	8	200,000,000	75,000	1.80%	4,000
Kingston Financial Group Ltd. (stock code: 1031)	9	33,028,000	73,983	1.78%	(173,727)
KuangChi Science Ltd. (stock code: 439)	10	23,000,000	18,170	0.44%	(38,870)
Lajin Entertainment Network Group Ltd. (stock code: 8172)	11	53,500,000	14,980	0.36%	(4,815)
Sincere Watch (Hong Kong) Ltd. (stock code: 444)	12	55,000,000	6,160	0.15%	(330)
Town Health International Medical Group Ltd. (stock code: 3886)	13	70,000,000	5,956	0.14%	(3,144)
Yunfeng Financial Group Ltd. (stock code: 376)	14	50,000	241	0.01%	(10)
			<u>343,852</u>		<u>(222,954)</u>

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Sales 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 stocks, bonds and other forms of securities and other potential investment opportunities, and also money lending business.

Based on its published financial information, the group had net assets of HK\$236,508,000 at 31 March 2018. The group recorded a loss attributable to owners of Affluent Partners of HK\$129,787,000 for the year ended 31 March 2018.

As disclosed in its 2018 annual report, the incurring of a significant loss by Affluent Partners for the year ended 31 March 2018 was mainly due to the realised loss on disposals of financial assets at fair value through profit or loss, the loss on investments in associates, and the impairment loss on loans to associates amounted to HK\$105,333,000 in aggregate. During the year, Affluent Partners disposed of the subsidiary engaged in money lending business. As a result, Affluent Partners was no longer engaged in any money lending business. Affluent Partners would continue to strictly control costs and improve operation efficiency and productivity of its pearls and jewelry business segment in a bid to stay competitive. Affluent Partners would continue to actively participate in various important jewelry and gem fairs around the world in order to maintain into a diversified customer base. With its investments in the GBP2.6 million 6% convertible guaranteed redeemable loan notes issued by Wonderland (UK) Holdings Limited and the participating shares in Orient Capital Opportunity Fund SPC, Affluent Partners expected that its strategic investment and financial services segment would diversify the income streams of Affluent Partners and generated additional investment returns on the available funds of Affluent Partners from time to time. Affluent Partners expected that its strategic investment and financial services segment would be its growth driver. Affluent Partners would actively make continuous efforts to find appropriate investment projects in the future.

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Sales of financial assets business (Continued)

Notes: (Continued)

2. Brockman Mining Ltd. ("**Brockman Mining**") and its subsidiaries are principally engaged in the development and exploration of iron ore mining projects in Western Australia.

Based on its published financial information, the group had net assets of HK\$463,963,000 and HK\$448,851,000 at 30 June 2017 and 31 December 2017 respectively. The group recorded a loss attributable to owners of Brockman Mining of HK\$38,308,000 and HK\$16,953,000 for the year ended 30 June 2017 and the six months ended 31 December 2017 respectively.

According to its 2017 interim report, Brockman Mining executed a term sheet with BBI Group Pty. Limited, a subsidiary of a New Zealand company, relating to the proposed farm in arrangement and establishment of a joint venture for the development of its flagship iron ore mining project (the "**Marillana Project**") in Pilbara region in Western Australia in November 2017. The entering into of the definitive agreements relating to the proposed transactions was subject to the satisfaction or waiver of the conditions precedent set out in the term sheet. Brockman Mining believed that the proposed transactions offered a possible logistics solution for unlocking the value of its iron ore assets. The execution of the term sheet refocused Brockman Mining's effort in fund raising activities for the coming years while waiting for the definitive feasibility study in respect of the construction and development of the Marillana Project being prepared by BBI Group Pty. Limited.

3. CBK Holdings Ltd. ("**CBK Holdings**") and its subsidiaries are principally engaged in provision of catering services in Hong Kong.

Based on its published financial information, the group had net assets of HK\$81,008,000 at 31 March 2018. The group recorded a loss attributable to owners of CBK Holdings of HK\$9,746,000 for the year ended 31 March 2018.

As disclosed in its 2018 annual report, CBK Holdings would continue with its prudent site selection strategy to expand its network of hotpot restaurants. CBK Holdings would continue to conduct feasibility studies on refining its existing brands and launching of new brands to meet growing customer expectations on dining experience. CBK Holdings was exploring the commercial viability of extending its business hours. CBK Holdings had introduced such measure in one of its restaurants, which offered special discounts for customers who came for "happy hour" hotpot or "late night" hotpot at the restaurant. Based on its success in the past, CBK Holdings remained optimistic about its future development. CBK Holdings intended to cautiously execute its development plan as set forth in its prospectus dated 27 January 2017 for the purpose of bringing a desirable return to its shareholders and facilitating the long-term growth of its business.

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Sales 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 net assets of HK\$654,002,000 and HK\$586,812,000 at 31 December 2017 and 30 June 2018 respectively. The group recorded a loss attributable to owners of China Healthcare of HK\$128,428,000 and HK\$52,282,000 for the year ended 31 December 2017 and the six months ended 30 June 2018 respectively.

According to its interim results announcement for the six months ended 30 June 2018, despite uncertainties arising from the trade tensions between the United States of America and Mainland China, the electronic manufacturing services business of China Healthcare had thus far been unaffected by the trade disputes, and it had already received reasonable level of orders from customers for the upcoming half year of 2018. China Healthcare would nonetheless monitor market developments closely, including the fluctuation of Renminbi and the rise in component costs. In respect of the latter, China Healthcare had taken necessary action, which, besides seeking alternative suppliers, China Healthcare would transfer the cost increase to its clients going forward. Furthermore, China Healthcare would continue to develop new products, particularly Wi-Fi and Bluetooth enabled smart-home appliances to facilitate long-term development of its electronic manufacturing services business. With reference to its securities and other assets investment operation, China Healthcare was committed to tapping the healthcare market of Mainland China, which had been the fastest growing market among all large emerging economies, increasing by over four-fold in the ten-year span of 2006 to 2016, or from RMB1,096.6 billion to RMB4,634.5 billion respectively. Despite such phenomenal growth, healthcare spending per capita was only at approximately 6% of Mainland China’s Gross Domestic Product. The healthcare market therefore possessed tremendous room for further growth, and China Healthcare would make the necessary investments and establish relevant ties to expedite its development in this burgeoning segment. While downside risk had increased significantly, China Healthcare trusted that efforts undertaken to bolster its key business operations, including those for raising its competitiveness in the future, would stand China Healthcare in good stead regardless of what economic scenario eventually materialised. That being said, China Healthcare would manage operations with utmost prudence, fully mindful of the interests of its shareholders.

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Sales of financial assets business (Continued)

Notes: (Continued)

5. China Healthwise Holdings Ltd. (“**China Healthwise**”) and its subsidiaries are principally engaged in development, engineering, manufacturing and sale of toys, commercial kitchen and consumer electronic products, sales of Chinese health products, money lending business, and investment in financial instruments.

Based on its published financial information, the group had net assets of HK\$274,150,000 at 31 March 2018. The group recorded a loss attributable to owners of China Healthwise of HK\$186,103,000 for the year ended 31 March 2018.

As disclosed in its 2017/18 annual report, China Healthwise did not renew the contract with Haier, its largest childcare product brand, on 31 December 2017. Accordingly, China Healthwise believed that the non-renewal of the contract would have a significant negative impact on revenue in its childcare products business in coming years. China Healthwise would continue its multi-brand and multi-product strategy and to strictly control cost to cope with this challenge. Given that the outlook of health care business was positive, China Healthwise expected its newly acquired Chinese health products business had a positive future impact on its performance. China Healthwise received encouraging and positive responses from recent products previews with major customers on its new product line, namely Radio Control vehicles, in early 2018. 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 its OBM toys business’ profitability. With the newly acquired production techniques for producing a range of girls’ toy items, demand for OEM toy products was expected to improve slightly. However, the sale of China Healthwise’s OEM toys business might be affected by the liquidation of a major toy retail chain store in North America and other countries. As the newly established money lending business generated a relatively higher gross profit margin, China Healthwise would put more effort to develop it, while remained cautious in assessing customers’ ability to repay and approving loans to its customers in order to reduce its credit risk. As its commercial kitchen products business had been loss making since 2016. China Healthwise would control the financial risks with caution and consider various strategies to reduce loss in the business.

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Sales of financial assets business (Continued)

Notes: (Continued)

6. Frontier Services Group Ltd. ("**Frontier Services**") and its subsidiaries are principally engaged in the provision of logistics, security and insurance services, as well as, to a minor degree, in the provision of online financial market information.

Based on its published financial information, the group had net assets of HK\$387,941,000 and HK\$1,169,286,000 at 31 December 2017 and 30 June 2018 respectively. The group recorded a loss attributable to owners of Frontier Services of HK\$223,760,000 and HK\$126,914,000 for the year ended for the year 31 December 2017 and the six months ended 30 June 2018 respectively.

According to its interim results announcement for the six months ended 30 June 2018, Frontier Services continued to grow its aviation and logistics business and to further develop its security and insurance business in accordance with the Belt and Road Initiative during the first half of 2018. For the second half of 2018, Frontier Services was expected to grasp much more clientele in Africa, Asia and Middle East regions as market opportunities there remained huge. The logistics centre in Shanghai, Mainland China started to work very closely with its Chinese clients and it gradually became their business partner when they went out in support of the Belt and Road Initiative. More offices were expected to be set up in those important and representative regions along the Belt and Road in the near future. All these offices were expected to play a critical role in building the foundation of Frontier Services' security business. After the completion of the subscription of its new shares in June 2018, new investors were brought in and more catalysts were injected into Frontier Services as they were all supportive to its three major lines of business. Frontier Services believed that these businesses could further benefit from their respective leading position in the relevant industry. In the remaining half of 2018, Frontier Services would make good use of the existing available resources to grow its businesses with its strategic alliances. Frontier Services would not just deliver a single service to its customers but a value chain of its services with the best solution to its customers to their satisfaction. Frontier Services remained positive towards the second half of 2018 because a strong and solid foundation was nearly in place. At the same time, Frontier Services would also continue to implement various cost reduction measures so as to enhance its overall operational efficiency. Although the global market was facing a lot of challenges recently, Frontier Services still believed that its focus on the Belt and Road Initiative and its uniqueness in terms of businesses and shareholding structure would still be its competitive strength to support its long term growth.

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Sales 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 net assets of HK\$11,704,986,000 at 31 December 2017. The group recorded a loss attributable to owners of Hsin Chong of HK\$774,382,000 for the year ended 31 December 2017.

According to its 2017 annual report, Hsin Chong's financial situation had been restraining its ability to obtain new projects since the beginning of 2017, 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 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.

At 31 December 2017, the unrestricted cash and cash equivalents of Hsin Chong amounted to HK\$784,000,000. At 23 March 2018, being the date of its annual results announcement for the year ended 31 December 2017, Hsin Chong had overdue borrowings amounted to HK\$1,932,000,000, but Hsin Chong had not been able to obtain extensions for repayment from the lenders. If the lenders did not grant extension, the overdue borrowings would be immediately repayable. In addition, Hsin Chong had borrowings of HK\$3,798,000,000 at 31 December 2017 which did not meet certain financial ratios as set out in the covenants in the relevant borrowing agreements. If such breach became events of default under the respective borrowing agreements, including those under the cross-default terms, an aggregate amount of borrowings of up to HK\$6,463,000,000 at 31 December 2017 would be immediately repayable. These conditions indicated the existence of material uncertainties which might cast significant doubt about Hsin Chong's ability to continue as a going concern.

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Sales of financial assets business (Continued)

Notes: (Continued)

7. (Continued)

On 31 July 2018, Hsin Chong issued an announcement relating to the transitional arrangements for the amendments to the delisting framework under the Listing Rules. According to the announcement, if Hsin Chong failed to fulfil all the resumption conditions to the satisfaction of the Stock Exchange and resume trading in its shares by 31 July 2019, the Listing Department of the Stock Exchange would recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Hsin Chong's listing. This was subject to the Stock Exchange's right to impose a shorter specific remedial period under Rule 6.10 of the Listing Rules where appropriate. As at the date of the announcement, Hsin Chong was in the course of providing information to the regulators and was using its best endeavor to obtain approval for resumption of trading.

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.

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 net assets of HK\$875,958,000 and HK\$852,609,000 at 31 December 2017 and 30 June 2018 respectively. The group recorded a loss attributable to owners of Huayi Tencent of HK\$103,669,000 and HK\$24,030,000 for the year ended 31 December 2017 and the six months ended 30 June 2018 respectively.

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Sales of financial assets business (Continued)

Notes: (Continued)

8. (Continued)

According to Huayi Tencent's interim results announcement for the six months ended 30 June 2018, the Global Entertainment & Media Outlook 2018 – 2022 released by PwC stated that the film market of Mainland China recorded a total revenue of approximately US\$8.2 billion (HK\$64.4 billion) in 2017, representing a growth rate of 21.5%. PwC estimated that the Chinese film market would continue to grow at a compound annual growth rate of 9.7% over the next five years, and the total revenue would reach US\$13.1 billion by 2022 and overtake the U.S. film market, reflecting the robust development of the film industry in Mainland China. Going forward, Huayi Tencent would concentrate on the investment in Korean film and TV productions. In view of this focus and the potential easing of restriction on Korean contents by the Chinese authority, it was expected that the investment in existing Korean film and TV projects would generate considerable return for Huayi Tencent. In addition, Huayi Tencent would continue to invest and produce films and TV programmes of various genres to build a reserve of overseas intellectual property (IP) rights with development potential and explore promising investment projects. Moreover, Huayi Tencent would also seek opportunities to bring Hollywood films into its investment portfolio, and to partner with internationally renowned studios. Given the continuous and robust development of domestic film market, as well as the popularity of Korean films and TV programmes among Chinese audience, Huayi Tencent was well-positioned to lead its core media and entertainment business in the future. Huayi Tencent would also keep a close eye on future investment opportunities in the pan-entertainment industry (such as the gaming, eSports and music), with a view to reinforcing its deployment in the cultural and entertainment industry.

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 net assets of HK\$20,639,360,000 at 31 March 2018. The group recorded a profit attributable to owners of Kingston Financial of HK\$1,348,626,000 for the year ended 31 March 2018.

As disclosed in Kingston Financial's 2018 annual report, the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area would further strengthen the position of Hong Kong as a foreign investment gateway of Mainland China. The Hong Kong Monetary Authority and the People's Bank of China were also working closely together to carry out the "northbound trading" of the Bond Connect scheme for one year. Trading volume and number of participating institutions had gradually increased, becoming an important channel for foreign institutions to invest in the mainland bond market, and hence actively fuelled the growth of local brokers. In the future, Kingston Financial would strive to enhance its visibility in Hong Kong's capital markets as well as in Mainland China and continue to expand its business scope. At the same time, Kingston Financial would make good use of its resources and take the opportunity to promote business expansion to a higher level.

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Sales 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 service solutions.

Based on its published financial information, the group had net assets of HK\$2,534,049,000 and HK\$1,980,327,000 at 31 December 2017 and 30 June 2018 respectively. The group recorded a profit attributable to owners of KuangChi Science of HK\$66,051,000 for the year ended 31 December 2017 and a loss attributable to owners of KuangChi Science of HK\$162,867,000 for the six months ended 30 June 2018.

According to its interim results announcement for the six months ended 30 June 2018, KuangChi Science was committed to building future smart cities by developing and integrating different future technologies, including “future artificial intelligence (AI)” technology and “future space” technology. In “future AI” technology business, KuangChi Science developed the “Super Intelligent System” in response to the demand for urban security and management. With the integration of various smart surveillance devices, it made the “Super Intelligent System” possible for active detection, prevention, early warning and forecasting of crimes. During the six months ended 30 June 2018, “Super Intelligent System” was piloted by public security authorities in Shanghai, Mainland China. It was expected that “Super Intelligent System” would be fully operational in the third quarter of 2018, helping Shanghai to become the world’s first all-intelligent security and defense region. KuangChi Science believed that the “Super Intelligent System” was in a boundless market with a focus on comprehensive management. With the successful application of the “Super Intelligent System” in the area of security and the accumulation of quality big data, KuangChi Science would gradually further develop in various vertical industries including comprehensive management and security market as well as smart city operation and services, and promote the “Super Intelligent System” as the standard smart city infrastructure in the future. In “future space” technology business, KuangChi Science was committed to the application of its intergenerational flight and float platform solutions in commercial use, such as urban safety, emergency and environmental protection. Discussions regarding cooperation on the “SkyX” project, the development of unmanned aerial vehicle for inspection of pipelines of energy facilities, were being conducted with a number of potential clients from South Africa, Mexico, Argentina, Nigeria, and the United States of America. To strengthen its core competitiveness, KuangChi Science brought in 112 experts of high and new technology from around the world in the six months ended 30 June 2018.

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Sales of financial assets business (Continued)

Notes: (Continued)

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

Based on its published financial information, the group had net assets of HK\$899,671,000 and HK\$794,502,000 at 31 December 2017 and 30 June 2018 respectively. The group recorded a loss attributable to owners of Lajin Entertainment of HK\$79,853,000 and HK\$95,536,000 for the year ended 31 December 2017 and the six months ended 30 June 2018 respectively.

As disclosed in Lajin Entertainment's 2018 interim report, there were six productions expected to be screened in late 2018 or 2019. In addition, "Legend of the Galactic Heroes" (銀河英雄傳説) and "The Tibet Code" (藏地密碼) were big-budget productions and the main focus of Lajin Entertainment's investment in the coming two to three years. Lajin Entertainment would provide full support and plan to release these productions in and after 2020. For its artist management, Lajin Entertainment would strive to secure more commercial advertisement jobs for its artists and leverage on the facilities available in its production base in Beijing, Mainland China to provide them with necessary trainings and shooting/production environment, enabling these future stars to shine. Lajin Entertainment had put enormous effort in building its Huo Miao Original Music Service Platform ("**Huo Miao Platform**"). Lajin Entertainment would increase marketing effort to promote and publicise Huo Miao Platform with an aim to gain publicity. Lajin Entertainment firmly believed in the originality of music and such brand new concept of tailor-made music production would prosper in the future. Lajin Entertainment would continue to promote its production base's competitive edge and strive to secure joint production agreements to enhance a stable source of income, as well as to ensure the maximum utilisation of its facilities.

12. Sincere Watch (Hong Kong) Ltd. ("**Sincere Watch**") and its subsidiaries are principally engaged in distribution of branded luxury watches, timepieces and accessories in Hong Kong, Macau, Taiwan and Mainland China, dining business and property investment.

Based on its published financial information, the group had net assets of HK\$1,068,513,000 at 31 March 2018. The group recorded a loss attributable to owners of Sincere Watch of HK\$59,972,000 for the year ended 31 March 2018.

As disclosed in its 2018 annual report, Sincere Watch acquired certain investment properties in Beijing, Mainland China in March 2016. Sincere Watch also acquired investment properties of HK\$350,000,000 in Beijing, Mainland China in April 2018. Sincere Watch had decided to deploy more resources to focus on its new core business, namely property investment in Mainland China, and would continue to look for appropriate investment opportunities with capital growth potential, which provided stable rental income at the same time. Sincere Watch had invested HK\$45,000,000 in a film project in May 2017, which was expected to provide income in 2020. The watch distribution business of Sincere Watch was facing many challenges and Sincere Watch continued to look for ways to enhance this business.

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Sales of financial assets business (Continued)

Notes: (Continued)

13. 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, direct investment in healthcare sector, and investment in securities and properties. The group also provides hospital and clinic management services in Mainland China.

Based on its published financial information, the group had net assets of HK\$4,314,480,000 and HK\$4,383,399,000 at 31 December 2017 and 30 June 2018 respectively. The group recorded a loss attributable to owners of Town Health of HK\$107,745,000 for the year ended 31 December 2017 and a profit attributable to owners of Town Health of HK\$57,627,000 for the six months ended 30 June 2018.

As disclosed in its interim results announcement for the six months ended 30 June 2018, Town Health’s business in Hong Kong would continue to maintain a stable growth. With the deepening of healthcare reforms in Mainland China, there would be increasing demand for high-end healthcare services in Mainland China. To grasp the blooming business opportunities, Town Health would leverage its healthcare management expertise to introduce high quality and more efficient Hong Kong-style healthcare service and operation models to Mainland China and strive to become the leading player in the healthcare industry. The further development of Nanshi Hospital would expand Town Health’s income base. In addition, Town Health would focus on developing its community healthcare. Town Health’s new comprehensive medical centre was located at the centre of Nanyang City and equipped with high-end sophisticated outpatient facilities to serve the needs of high-end customers. The centre was expected to become the most prestigious medical centre in that locality. Town Health expected that its high-end dental business in Mainland China would continue to grow in the second half of 2018. Town Health would proactively promote Invisalign orthodontic services, enhance its brand awareness, and continue to introduce its dental clinic services and Invisalign training services to Nanshi Hospital. Town Health would also actively develop the businesses of its Nanyang Xiangrui’s subsidiaries covering marketing, medical equipment and consumables trading and property management services, in order to expand the services scope of its hospital management business. Meanwhile, Town Health would continue to strengthen its cooperation with China Life Group to develop integrated health management centres in Mainland China. Town Health would strive to develop a new collaborative business model between the insurance and healthcare services sectors. Focusing on preventive medicines and anti-aging services, the health management centre would provide comprehensive and holistic healthcare services to high-end customers of China Life Group.

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Sales of financial assets business (Continued)

Notes: (Continued)

13. (Continued)

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

On 11 July 2018, Town Health issued an announcement relating to the transitional arrangements for the amendments to the delisting framework under the Listing Rules. According to the announcement, if Town Health failed to resume trading in its shares by 31 January 2020, the Listing Department of the Stock Exchange would recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of Town Health’s listing. This was subject to the Stock Exchange’s right to impose a shorter specific remedial period under Rule 6.10 of the Listing Rules if appropriate. As at the date of the announcement, Town Health had made a submission to the SFC to address the SFC’s concerns on it and to seek the SFC’s re-consideration on the direction to suspend the trading in the shares of Town Health.

Based on a valuation report prepared by an independent valuer appointed by the Group, the fair value of the shares in Town Health held by the Group was HK\$5,956,000 at 30 June 2018.

14. Yunfeng Financial Group Ltd. (“Yunfeng Financial”) and its subsidiaries are principally engaged in the provision of financial services, including securities brokerage, wealth management and investment, corporate finance consultancy, ESOP (Employee Stock Ownership Plan) administration, and investment research.

Based on its published financial information, the group had net assets of HK\$4,139,332,000 and HK\$3,947,469,000 at 31 December 2017 and 30 June 2018 respectively. The group recorded a loss attributable to owners of Yunfeng Financial of HK\$379,054,000 and HK\$186,279,000 for the year ended 31 December 2017 and the six months ended 30 June 2018 respectively.

According to its interim results announcement for the six months ended 30 June 2018, Yunfeng Financial’s major sources of revenue included subscription fees and management fees for products launched by it, platform fees for distribution of third-parties products, administration fee for employee stock ownership plan management services, brokerage commission income, and corporate advisory fee income in the first half of 2018. In addition, Yunfeng Financial generated other operating income and gains from its own general capital. Yunfeng Financial was still in the process of building its client base and scale of asset under management. In the second half of 2018, Yunfeng Financial would continue to push forward on the completion of the acquisition of an equity interest in MassMutual Asia Limited. The uncertainties in the global economy related to instances such as Sino-US trade war, and the Brexit were expected to adversely affect the market. Yunfeng Financial would remain flexible and adjust its strategy in light of market conditions.

Management Discussion and Analysis *(Continued)*

Operations Review *(Continued)*

Sales of financial assets business *(Continued)*

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.

Money lending business

During the six months ended 30 June 2018, the Group's money lending business generated interest income on loans amounting to HK\$49,950,000, a 63.11% increase from HK\$30,624,000 for the previous period, and reported a segment profit (before taxation) of HK\$38,705,000, a 29.26% increase from HK\$29,943,000 for the previous period. These increases were attributable to an increase in the aggregate principal amount of new loans granted in the six months ended 30 June 2018 as compared to the previous period. The average monthly outstanding balance of loans receivables increased from HK\$693,612,000 in the six months ended 30 June 2017 to HK\$1,066,519,000 in the six months ended 30 June 2018. During the period under review, the Group granted new loans in the aggregate principal amount of HK\$452,000,000 to seven customers. The Group's customers made drawings in the aggregate principal amount of HK\$523,267,000 from the existing and new loans, and repaid HK\$698,773,000 to the Group. At the end of the reporting period, the directors assessed the collectability of the loan receivables. As there was no objective evidence that the Group would not be able to collect its loans receivables, no impairment loss on loans receivables was recognised. At 30 June 2018, the Group's loans receivables together with accrued interest receivables amounted to HK\$1,021,177,000 (31 December 2017: HK\$1,200,630,000).

Management Discussion and Analysis *(Continued)*

Operations Review *(Continued)*

Sale of jewelry products business

During the six months ended 30 June 2018, the Group's sale of jewelry products business generated revenue of HK\$21,151,000, a 35.00% increase from HK\$15,667,000 for the previous period, and reported a segment loss (before taxation) of HK\$3,085,000, a 35.07% increase from HK\$2,284,000 for the previous period. In 2017, the Group refined its business strategy by targeting overseas retail chain stores and wholesale market in response to the sluggish market conditions. During the period under review, the Group has established business relationships with two wholesalers and one retail chain store in Europe through securing sales orders from them. As it was still at a development stage, the sales orders secured from these three customers were not sizeable. On the other hand, the Group had to incur significant moulding and production costs in producing samples for business development. These two factors contributed the loss incurred by the Group's sale of jewelry products business. In addition, the impairment loss of HK\$477,000 was recognised on trade receivables with past due over 90 days. The significant moulding and production costs also contributed the deterioration in gross profit margin in the six months ended 30 June 2018 as compared to the previous period.

At 30 June 2018, the Group's inventories of jewelry products, including raw materials, work-in-progress and finished goods, amounted to HK\$34,884,000 (31 December 2017: HK\$33,500,000) and the Group's sale of jewelry products business had undelivered sale orders amounting to HK\$707,000 (31 December 2017: HK\$1,000,000).

Property investment business

During the six months ended 30 June 2018, the Group's property investment business generated rental income of HK\$23,519,000, a 5.50% increase from HK\$22,292,000 for the six months ended 30 June 2017, and recorded a segment profit (before taxation) of HK\$11,438,000, whereas a segment loss (before taxation) of HK\$570,000 was recorded in the six months ended 30 June 2017. Of the total rental income, HK\$11,044,000 was generated from the assets of the Club, HK\$962,000 was generated from the investment properties portion of the Shun Tak Property, and HK\$11,513,000 was generated from the Guangzhou Property.

Management Discussion and Analysis *(Continued)*

Operations Review *(Continued)*

Property investment business *(Continued)*

The development of the Subject Land was divided into three phases, in which the first phase involved erecting nine hotel villas, the second phase involved erecting hotel villas, and the third phase involved erecting a high-end hotel apartment complex with restaurants, multifunction room facilities, and hotel apartment units. The first phase development of the Subject Land was completed in 2017. The Group changed its leasing strategy for the nine hotel villas in the first phase of the Subject Land by not providing any furniture, appliances and hotel services in order to promptly generate rental income and effectively reduce fixed costs. Marketing activities for leasing the hotel villas had begun. However, no leasing agreement was concluded during the period under review.

In April 2018, the renovation of the Shun Tak Property was completed and two and a half office units of the Shun Tak Property has been leased out and generated rental income of HK\$962,000 in the six months ended 30 June 2018. It was originally planned that three office units of the Shun Tak Property were used as the head office of the Company and remaining four office units were leased out for rental income. Subsequent to 30 June 2018, the Group changed the plan of the Shun Tak Property, in which four and a half office units are used as the head office and the remaining two and a half office units are leased out for rental income. Accordingly, one and a half office units of the Shun Tak Property with an aggregate carrying amount of HK\$72,900,000 will be transferred from “investment properties” to “property, plant and equipment” for financial reporting purposes in the second half of 2018.

At the end of the reporting period, the directors measured the investment properties portion of the Shun Tak Property at fair value. Based on a property valuation report prepared by an independent valuer, the fair value of the investment properties portion of the Shun Tak Property increased from HK\$234,000,000 at 31 December 2017 to HK\$258,700,000 at 30 June 2018. Accordingly, the Group recognised a gain of HK\$24,700,000 arising on change in fair value of investment properties.

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Property investment business (Continued)

On 22 June 2018, the Group disposed of the entire issued share capital of Best Volume at the consideration of HK\$405,000,000 and recognised the loss on disposal of HK\$10,993,000. The principal asset of Best Volume and its subsidiaries is the Guangzhou Property. The net proceeds from the disposal are intended to be used for the development of the Subject Land. Although the Group recorded a loss on the disposal, the directors considered that the disposal enabled the Group to (i) largely reduce its reliance on obtaining external financing for developing the Subject Land, which correspondingly reduces its future finance costs, and (ii) strengthen its cash position as Best Volume and its subsidiaries recorded a net cash outflow (before change in working capital) since the date of its acquisition. During the period from 1 January 2018 to 22 June 2018, the Guangzhou Property generated rental income of HK\$11,513,000 and contributed a profit of HK\$4,700,000 to the Group.

Investments in associates

In January 2018, Spark Concept Group Limited (“**Spark Concept**”), a 49% owned associate of the Company, and its subsidiaries (the “**Spark Concept Group**”) expanded its operations by opening a Japanese noodle shop in Causeway Bay, Hong Kong. The Spark Concept Group is operating three Japanese noodle shops (麵鮮醬油房周月) in Central, Quarry Bay and Causeway Bay, and a high-end Japanese restaurant (料理人 上田) in Central. During the six months ended 30 June 2018, the Spark Concept Group reported a loss of HK\$521,000, whereas a profit of HK\$339,000 was recorded in the same period of 2017. The deterioration in operating results was mainly due to the loss made by the high-end Japanese restaurant. No share of loss from the Spark Concept Group was recognised as the Group’s share of post-acquisition losses equalled to its interests in Spark Concept. No further cash was advanced to the Spark Concept Group by the Group during the six months ended 30 June 2018. At 30 June 2018, the Spark Concept Group owed the Group an amount of HK\$7,393,000 (before accumulated impairment of HK\$5,913,000), which is unsecured, non-interest bearing and repayable on demand. As announced by the Michelin Guide in November 2017, the Japanese noodle shops in Central and Quarry Bay are again awarded the Bib Gourmand rating in the Michelin Guide Hong Kong Macau 2018.

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Investments in associates (Continued)

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. During the six months ended 30 June 2018, no capitalisation issue on the term loan of US\$10,000,000 (equivalent to HK\$78,410,000) provided by Elite Prosperous to the unlisted investment holding company was taken place as one of the conditions as set out in the instrument dated 7 September 2017 had not been satisfied. To maximise its shareholders' value, Elite Prosperous is now considering whether to (i) convert the term loan into such number of preferred shares in the capital of the unlisted investment holding company as determined by the instrument under the conversion option granted under the instrument, or (ii) require the unlisted investment holding company to sell 645 preferred shares in the capital of its wholly-owned subsidiary, which provides online, mobile and cross-broader payment services in Mainland China, to Elite Prosperous at US\$10,000,000 (equivalent to HK\$78,410,000) under the purchase option granted under the instrument. No decision was made in relation to the exercise of the conversion option or the purchase option as at the date of this interim report. At the end of the reporting period, Elite Prosperous measured the option component of the term loan at fair value. Based on a valuation report prepared by an independent firm of professional valuers, the fair value of the option component of the term loan increased from HK\$69,412,000 at 31 December 2017 to HK\$72,072,000 at 30 June 2018 and Elite Prosperous recognised a gain of HK\$2,660,000 arising on change in fair value of option component in other comprehensive income. Correspondingly, the Group shared 49% of such gain, which was amounted to HK\$1,303,000, in other comprehensive income. During the six months ended 30 June 2018, Elite Prosperous reported a profit of HK\$959,000 and the Group shared a profit of HK\$470,000 from Elite Prosperous.

Management Discussion and Analysis (Continued)

Operations Review (Continued)

Investments in associates (Continued)

On 29 June 2018, the Group acquired 1,020,000,000 shares in Global Mastermind. Taking into account of the 217,750,000 shares in Global Mastermind already held by the Group, the Group is interested in 29.04% of the issued share capital of Global Mastermind upon completion of the acquisition. Global Mastermind is treated as an associate in accordance with Hong Kong Accounting Standard 28 *Investments in Associates and Joint Ventures* for financial reporting purposes. Global Mastermind and its subsidiaries (the “**Global Mastermind Group**”) are principal engaged in provision and operation of travel business, treasury management business, money lending business, and provision of securities and asset management services. The Global Mastermind Group has obtained licenses from the Securities and Futures Commission to carry out businesses in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance. Hong Kong is one of the most vibrant international financial centres in the world and financial services is one of the four pillars sectors of Hong Kong. The directors consider that the investment in Global Mastermind enables the Group to participate in the financial services sector in Hong Kong. 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 the gain on bargaining purchase of HK\$3,407,000 in “share of results of associates”.

Future Prospects

The escalating trade row between the United States of America and Mainland China has created uncertainty for the global economy. Businesses and investors are growing more worries about President Trump’s trade crackdown as trade tensions could undermine the global economy. It has increased the volatility in financial markets worldwide in recent months. Accordingly, the directors cautiously monitor Hong Kong equity market and adjust the Group’s equity portfolio as and when appropriate in the second half of 2018.

Given that the global economic outlook is uncertain, the Group will slow the pace of its money lending business in the second half of 2018. The directors expect the interest income on loans in the second half of 2018 may be slightly less than the first half of 2018.

Management Discussion and Analysis *(Continued)*

Future Prospects *(Continued)*

In 2018, the Group has 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. The Group is sourcing for retail chain stores and wholesalers in the United States of America with a view to diversify its customer base. As it is still at a development stage, 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 2018 will be slightly improved as compared to the first half of 2018.

Despite rental income has been generating from the investment properties portion of the Shun Tak Property, the directors expect that, following the disposal of the Guangzhou Property, the rental income of the Group will show a significant decrease in the second half of 2018 as compared to the first half of 2018 as the Guangzhou Property contributed 53.15% of the Group's rental income in the year ended 31 December 2017.

In the second half of 2018, 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 opportunities for the Group to diversify its businesses and broaden its revenue base.

Events after the End of the Reporting Period

Subsequent to 30 June 2018 and up to the date of this interim report, the Group had the following material events:

- (a) On 3 July 2018, the Group transferred one and a half office units of the Shun Tak Property with the aggregate carrying amount of HK\$72,900,000 from "investment properties" to "property, plant and equipment" as the use of these office units was changed from investment to own use.

Management Discussion and Analysis *(Continued)*

Events after the End of the Reporting Period *(Continued)*

- (b) On 2 August 2018, the Company issued an inside information announcement about the board of directors' decision to pursue cultural business in Mainland China to promote Chinese culture, customs and traditions. In pursuit of the cultural business, seven of the nine hotel villas erected on the first phase of the Subject Land are demolished for constructing a cultural square with an area of approximately 60,000 square metres for carrying out the cultural business. The demolition of the seven hotel villas results in (i) the recognition of a written-off of construction in progress under property, plant and equipment of HK\$208,840,000 in the year ending 31 December 2018, and (ii) a HK\$208,840,000 decrease in equity attributable to the owners of the Company at 31 December 2018. Please refer to the Company's inside information announcement dated 2 August 2018 for more details.
- (c) On 9 August 2018, the Group disposed of its 49% equity interest in and the shareholder's loan of HK\$7,393,000 (before accumulated impairment of HK\$5,913,000) due by Spark Concept at a consideration of HK\$3,000,000 and recorded a gain on disposal of HK\$1,520,000 (subject to audit).

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 2018 (six months ended 30 June 2017: Nil).

Changes in Information of Directors

The changes in information of directors as required to be disclosed pursuant to Rule 13.51B of the Listing Rules are set out below:

- (a) Mr. Lei Hong Wai, the Chairman of the Board and an executive director of the Company, resigned as the chairman of the board of directors, an executive director, an authorised representative, and a member of the remuneration committee and the nomination committee of Man Sang International Limited, a company listed on the Main Board of the Stock Exchange under stock code: 938, with effect from 3 April 2018; and
- (b) Mr. Cheung Kwok Wai Elton, an executive director of the Company, resigned as an executive director of Man Sang International Limited with effect from 3 April 2018.

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

At 30 June 2018, 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 Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

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

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

Additional Information Required by the Listing Rules (Continued)

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

Long positions (Continued)

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

Notes:

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

- b. Share options of the Company

Name of director	Capacity	Number of share options held	Number of underlying shares
Mr. Lei Hong Wai	Beneficial owner	3,800,000	3,800,000
Mr. Cheung Kwok Wai Elton	Beneficial owner	3,800,000	3,800,000
Mr. Cheung Kwok Fan	Beneficial owner	3,800,000	3,800,000
Mr. Chan Kin Wah Billy	Beneficial owner	38,190,000	38,190,000

- c. Share options of Global Mastermind Holdings Limited, a 29.04% owned associate of the Company

Name of director	Capacity	Number of share options held	Number of underlying shares
Mr. Cheung Kwok Wai Elton	Beneficial owner	7,100,000	7,100,000

Other than as disclosed above, none of the directors, chief executive nor their associates had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 30 June 2018.

Additional Information Required by the Listing Rules (Continued)

Share Option Scheme

Pursuant to an ordinary resolution passed by the shareholders on 12 December 2011, the Company adopted a new share option scheme to replace the share option scheme adopted on 21 January 2002. The principal terms of the share option scheme were disclosed in the Company's 2017 annual report. Details of movements in the Company's share options during the six months ended 30 June 2018 are set out as follows:

	Share options type	Number of share options				Outstanding at 30 June 2018
		Outstanding at 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period	
Directors and chief executive						
Mr. Lei Hong Wai	2017	32,150,000	–	–	(32,150,000)	–
	2018	–	3,800,000	–	–	3,800,000
		32,150,000	3,800,000	–	(32,150,000)	3,800,000
Mr. Cheung Kwok Wai Elton	2017	32,160,000	–	–	(32,160,000)	–
	2018	–	3,800,000	–	–	3,800,000
		32,160,000	3,800,000	–	(32,160,000)	3,800,000
Mr. Cheung Kwok Fan	2017	32,160,000	–	–	(32,160,000)	–
	2018	–	3,800,000	–	–	3,800,000
		32,160,000	3,800,000	–	(32,160,000)	3,800,000
Mr. Chan Kin Wah Billy	2017	32,150,000	–	–	(32,150,000)	–
	2018	–	38,190,000	–	–	38,190,000
		32,150,000	38,190,000	–	(32,150,000)	38,190,000
Total directors and chief executive		128,620,000	49,590,000	–	(128,620,000)	49,590,000
Employees and consultants						
	2017	192,980,000	–	–	(192,980,000)	–
	2018	–	267,330,000	–	–	267,330,000
Total employees and consultants		192,980,000	267,330,000	–	(192,980,000)	267,330,000
Total		321,600,000	316,920,000	–	(321,600,000)	316,920,000
Exercisable at the end of the period						316,920,000

Additional Information Required by the Listing Rules (Continued)

Share Option Scheme (Continued)

Details of specific categories of share options are as follows:

Share options type	Date of grant	Exercise period	Exercise price
2017	27 April 2017	27 April 2017 to 26 April 2018	HK\$0.202
2018	27 April 2018	27 April 2018 to 26 April 2019	HK\$0.185

Substantial Shareholders

At 30 June 2018, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

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

Name of shareholder	Notes	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Twin Success International Limited	1 and 4	Beneficial owner	583,832,803	15.29%
Silver Pacific International Limited	1, 2 and 4	Held by controlled corporation	583,832,803	15.29%
Silver Pacific Development Limited	1, 3 and 4	Held by controlled corporation	583,832,803	15.29%
Mr. Lei Hong Wai	1, 2 and 4	Held by controlled corporations	583,832,803	15.29%
Mr. Cheung Kwok Wai Elton	1, 3 and 4	Held by controlled corporations	583,832,803	15.29%
Mr. Cheung Kwok Fan	1, 3 and 4	Held by controlled corporations	583,832,803	15.29%
Kingston Finance Limited	4 and 5	Person having a security interest in shares	583,832,803	15.28%
Ample Cheer Limited	4 and 5	Held by controlled corporations	583,832,803	15.28%
Best Forth Limited	4 and 5	Held by controlled corporations	583,832,803	15.28%
Ms. Chu Yuet Wah	4, 5 and 6	Held by controlled corporations	583,832,815	15.28%

Additional Information Required by the Listing Rules (Continued)

Substantial Shareholders (Continued)

Long positions (Continued)

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

Notes:

1. Twin Success International Limited 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 International Limited pledged its 583,832,803 shares 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 shares, 12 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.

b. Share options of the Company

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

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 30 June 2018.

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

Compliance with Corporate Governance Code

In the opinion of the Board, the Company had 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 2018, 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 2018, 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 by the Company, all directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2018.



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

Review of Financial Information

The Audit Committee has reviewed the 2018 interim report and the condensed consolidated financial statements for the six months ended 30 June 2018 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 2018 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, 30 August 2018