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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your securities in Eternity Investment Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

PROPOSED OPEN OFFER ON THE BASIS OF FIVE OFFER SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE AND NOTICE OF SPECIAL GENERAL MEETING

Financial advisers of the Company



Mansion House Securities (F.E.) Limited

Nuada Limited

Corporate Finance Advisory

Underwriter to the Open Offer



KINGSTON SECURITIES LTD.

**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders**



Donvex Capital Limited
富域資本有限公司

Terms used in this cover page have the same meanings as defined in this circular.

A letter of advice from Donvex Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 33 to 48 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on page 32 of this circular.

A notice convening a special general meeting of the Company to be held at Macau Jockey Club, Function Room, 1st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 14 July 2011 at 2:15 p.m. (or any adjournment thereof) is set out on pages 77 to 79 of this circular. A form of proxy for use at the special general meeting is enclosed. Whether or not you are able to attend the special general meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish.

It should be noted that the Underwriting Agreement in respect of the Open Offer contains provisions entitling Kingston by notice in writing to the Company at any time prior to 4:00 p.m. on Friday, 12 August 2011 to terminate the obligations of Kingston thereunder on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on pages 19 to 21 of this circular. If Kingston terminates the Underwriting Agreement in accordance with the terms thereof, the Open Offer will not proceed. In addition, the Open Offer is conditional on all conditions set out under the section headed "Conditions of the Open Offer" on pages 18 to 19 of this circular being fulfilled or waived (as applicable). In the event that such conditions have not been satisfied and/or waived in whole or in part by Kingston on or before Friday, 12 August 2011, all liabilities of the parties to the Underwriting Agreement shall cease and determine and no party shall have any claim against the other party save for antecedent breach of the Underwriting Agreement and the Open Offer will not proceed.

28 June 2011

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EXPECTED TIMETABLE

The expected timetable for the Open Offer is set out below:

Event	2011
Latest time for lodging proxies	2:15 p.m. on Tuesday, 12 July
SGM to approve the Open Offer	2:15 p.m. on Thursday, 14 July
Announcement of the result of the SGM	Thursday, 14 July
Last day of dealings in the Shares on cum-entitlement basis	Friday, 15 July
First day of dealings in the Shares on ex-entitlement basis	9:00 a.m. on Monday, 18 July
Latest time for lodging transfers of Shares to qualify for the Open Offer	4:30 p.m. on Tuesday, 19 July
Register of members closes (both days inclusive)	Wednesday, 20 July to Monday, 25 July
Record Date	Monday, 25 July
Despatch of Prospectus Documents	Tuesday, 26 July
Register of members reopens	Tuesday, 26 July
Latest time for acceptance of and payment for Offer Shares and for application and payment for excess Offer Shares	4:00 p.m. on Tuesday, 9 August
Latest time for the termination of the Underwriting Agreement	4:00 p.m. on Friday, 12 August
Announcement of the allotment results of the Open Offer	Friday, 12 August
Refund cheques for wholly and partially unsuccessful excess applications to be posted	Monday, 15 August
Despatch of share certificates for Offer Shares	Monday, 15 August
Expected first day of dealings in Offer Shares	9:00 a.m. on Wednesday, 17 August

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to Shareholders as and when appropriate.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS OFFER SHARES

The latest time for acceptance of and payment for the Offer Shares and for application and payment for excess Offer Shares will not take place if there is:

1. a tropical cyclone warning signal number 8 or above, or
2. a “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date. Instead the latest time for acceptance of and payment for the Offer Shares and for application and payment for excess Offer Shares will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead the latest time for acceptance of and payment for the Offer Shares and for application and payment for excess Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Offer Shares and for application and payment for excess Offer Shares does not take place on the Acceptance Date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

“Acceptance Date”	Tuesday, 9 August 2011 or such later date as may be agreed between the Company and Kingston, being the latest time for acceptance of, and payment for, the Offer Shares and application and acceptance for the excess Offer Shares
“Announcement”	the announcement of the Company dated 7 June 2011 relating to among others the Open Offer
“Application Form(s)”	the form(s) of application for use by the Qualifying Shareholders to apply for the Offer Shares
“Ashley Property”	the whole block of “Citadines Ashley Hongkong”, No. 18 Ashley Road, Tsimshatsui, Kowloon, Hong Kong erected on Kowloon Inland Lot No. 9613
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda (as amended from time to time)
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	Eternity Investment Limited, a company incorporated in Bermuda with limited liability and issued Shares are listed on the Main Board of the Stock Exchange

DEFINITIONS

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Donvex Capital”	Donves Capital Limited, a licensed corporation to conduct type 6 (advising on corporate finance) regulated activity under the SFO, which is appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Open Offer
“Excess Application Form(s)”	the form(s) of application for use by the Qualifying Shareholders to apply for excess Offer Shares
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors formed for the purpose of advising the Independent Shareholders in relation to the Open Offer
“Independent Shareholders”	any Shareholders other than controlling Shareholders and their associates or, where there are no controlling Shareholders, any Shareholders other than directors (excluding independent non-executive directors) and the chief executive of the Company and their respective associates
“Independent Third Party(ies)”	any person(s) or company(ies) and his/its/their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are third party(ies) independent of the Company and its connected persons

DEFINITIONS

“Kingston”	Kingston Securities Limited, a licensed corporation to conduct type 1 (dealing in securities) regulated activity under the SFO to act as the underwriter pursuant to the Underwriting Agreement
“Last Trading Day”	7 June 2011, being the date of the Underwriting Agreement, which is a Stock Exchange trading day
“Latest Practicable Date”	24 June 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 9 August 2011 or such later time or date as may be agreed between the Company and Kingston, being the latest time for acceptance of, and payment for, the Offer Shares
“Latest Time for Termination”	4:00 p.m. on the third Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and Kingston, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lei”	Mr. Lei Hong Wai, the Chairman of the Board, an executive Director and the substantial Shareholder holding 220,280,000 Shares, representing approximately 16.66% of the issued share capital of the Company as at the Latest Practicable Date
“Offer Shares”	not less than 6,611,960,980 new Shares and not more than 6,619,444,395 new Shares proposed to be offered to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“One Synergy”	One Synergy Limited, a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of Adelio Holdings Limited

DEFINITIONS

“Open Offer”	the proposed issue of not less than 5,510,560,980 Offer Shares and not more than 6,619,444,395 Offer Shares by way of an open offer to the Qualifying Shareholders on the basis of five (5) Offer Shares for every one (1) existing Share held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Option(s)”	the option(s) issued or to be issued under the Share Option Scheme
“Overseas Letter”	a letter from the Company to the Prohibited Shareholders explaining the circumstances in which the Prohibited Shareholders are not permitted to participate in the Open Offer
“Overseas Shareholders”	Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date and whose addresses as shown on such register are outside Hong Kong
“Placing”	the placing of 220,280,000 existing Shares beneficially owned by Mr. Lei at a price of HK\$0.135 per Share by Kingston pursuant to the terms of the Placing and Subscription Agreement
“Placing and Subscription Agreement”	the placing and subscription agreement dated 7 June 2011 entered into between Mr. Lei, the Company and Kingston in relation to the Top-up Placing
“Prohibited Shareholders”	those Overseas Shareholders whom the Directors, based on legal opinions provided by the Company’s legal advisers, consider it is necessary or expedient not to offer the Open Offer to such Overseas Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place

DEFINITIONS

“Proposed Acquisition of Adelio”	the proposed acquisition of the entire issued share capital of Adelio Holdings Limited at a cash consideration of HK\$267.60 million as announced by the Company on 2 June 2011
“Proposed Acquisition of Citadines”	the proposed acquisition of the entire issue share capital of Citadines Ashley TST (Hong Kong) Limited and Citadines Ashley TST Management (Hong Kong) Limited at a cash consideration of HK\$283.00 million as announced by the Company on 11 April 2011
“Proposed Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$20,000,000, divided into 2,000,000,000 Shares to HK\$100,000,000, divided into 10,000,000,000 Shares by the creation of an additional 8,000,000,000 new Shares as announced by the Company on 7 June 2011
“Prospectus”	the prospectus to be despatched to the Qualifying Shareholders containing details of the Open Offer
“Prospectus Documents”	the Prospectus, Application Form and Excess Application Form
“Prospectus Posting Date”	Tuesday, 26 July 2011 or such other date as Kingston may agree in writing with the Company, as the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Overseas Letters together with the Prospectus, for information only, to the Prohibited Shareholders
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Prohibited Shareholders
“Record Date”	Monday, 25 July 2011 or such other date as may be agreed between Kingston and the Company for the determination of the entitlements under the Open Offer

DEFINITIONS

“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held at Macau Jockey Club, Function Room, 1st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 14 July 2011 at 2:15 p.m. (or any adjournment thereof) to consider and, if though fit, approve the Open Offer
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of issued Share(s)
“Share Option Scheme”	the share option scheme of the Company adopted on 21 January 2002
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 220,280,000 new Shares at a price of HK\$0.135 per Share by Mr. Lei pursuant to the terms of the Placing and Subscription Agreement
“Subscription Price”	HK\$0.04 per Offer Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“Thought Diamond”	Thought Diamond International Limited, a Shareholder holding 106,000,000 Shares, representing approximately 8.02% of the issued share capital of the Company as at the Latest Practicable Date
“Top-up Placing”	the Placing and the Subscription
“Underwriting Agreement”	the underwriting agreement dated 7 June 2011 entered into between the Company, Kingston, Mr. Lei and Thought Diamond in relation to the underwriting arrangement in respect of the Open Offer
“Underwritten Shares”	not less than 3,879,160,980 Offer Shares and not more than 4,988,044,395 Offer Shares underwritten by Kingston pursuant to the terms of the Underwriting Agreement
“Untaken Shares”	those (if any) of the Offer Shares for which duly completed Application Form(s) or Excess Application Form(s) (accompanied by cheques or banker’s cashier order for the full amount payable on application which are honoured on first or, at the option of the Company, subsequent presentation) have not been lodged for acceptance, or received, as the case may be, on or before Latest Time for Acceptance
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

Executive Directors:

Mr. Lei Hong Wai (*Chairman*)

Mr. Cheung Kwok Wai, Elton

Mr. Chan Kin Wah, Billy

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Mr. Tang Chak Lam, Gilbert

Mr. Hung Hing Man

Mr. Wan Shing Chi

Head office and principal place of business

in Hong Kong:

Unit 3811

Shun Tak Centre

West Tower

168-200 Connaught Road Central

Hong Kong

28 June 2011

To the Shareholders

Dear Sir or Madam,

**PROPOSED OPEN OFFER
ON THE BASIS OF FIVE OFFER SHARES
FOR EVERY ONE EXISTING SHARE HELD
ON THE RECORD DATE**

INTRODUCTION

On 7 June 2011, the Board announced that the Company proposed to raise approximately HK\$220.42 million to HK\$264.78 million, before expenses, by issuing not less than 5,510,560,980 Offer Shares and not more than 6,619,444,395 Offer Shares to the

LETTER FROM THE BOARD

Qualifying Shareholders by way of an open offer at the Subscription Price of HK\$0.04 per Offer Share payable in full on application on the basis of five (5) Offer Shares for every one (1) existing Share held on the Record Date.

Upon completion of the Top-up Placing, the issued share capital of the Company was enlarged by 220,280,000 new Shares. As at the Latest Practicable Date, the Company had 1,322,392,196 Shares in issue. Accordingly, on the basis of five (5) Offer Shares for every one (1) existing Share held on the Record Date, not less than 6,611,960,980 Offer Shares and not more than 6,619,444,395 Offer Shares will be allotted and issued under the Open Offer.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Open Offer and Donvex Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you, among others, (a) further details about the Open Offer; (b) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Open Offer; (c) a letter of advice from Donvex Capital to the Independent Board Committee and the Independent Shareholders on the Open Offer; and (d) the notice of the SGM at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Open Offer.

THE OPEN OFFER

Issue statistics as at the Latest Practicable Date

Basis of the Open Offer:	Five (5) Offer Shares for every one (1) existing Share held on the Record Date
Subscription Price:	HK\$0.04 per Offer Share
Number of Shares in issue:	1,322,392,196 Shares
Number of outstanding Options:	1,496,683 Options entitling the holders thereof to subscribe for 1,496,683 Shares under the Share Option Scheme

LETTER FROM THE BOARD

Number of enlarged Shares in issue assuming all the outstanding Options are exercised in full from the Latest Practicable Date to the Record Date:	1,323,888,879 Shares
Number of Offer Shares:	Not less than 6,611,960,980 Offer Shares and not more than 6,619,444,395 Offer Shares
Number of Offer Shares to be taken up or procure to be taken up by Mr. Lei and Thought Diamond pursuant to the Underwriting Agreement:	<p>Mr. Lei has irrevocably undertaken in favour of the Company and Kingston that (a) in the event that the Placing is not completed, to accept or procure the acceptance for the 1,101,400,000 Offer Shares to be allotted to him under his entitlement pursuant to the Open Offer, or (b) conditional upon the completion of the Subscription under the Placing and Subscription Agreement, to accept or procure the acceptance for the 1,101,400,000 Offer Shares to be allotted to him under his entitlement pursuant to the Open Offer.</p> <p>Thought Diamond has irrevocably undertaken in favour of the Company and Kingston to accept or procure the acceptance for the 530,000,000 Offer Shares to be allotted to Thought Diamond under its entitlement pursuant to the Open Offer.</p>
Number of Offer Shares underwritten by Kingston:	Not less than 4,980,560,980 Offer Shares and not more than 4,988,044,395 Offer Shares. Accordingly, the Open Offer is fully underwritten.
Number of enlarged Shares in issue upon completion of the Open Offer:	Not less than 7,934,353,176 Shares and not more than 7,943,333,274 Shares

As at the Latest Practicable Date, save for the outstanding Options, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

LETTER FROM THE BOARD

Assuming no further issue of new Shares or repurchase of Shares on or before the Record Date, 6,611,960,980 Offer Shares propose to be provisionally allotted, representing 500% of the Company's issued share capital of 1,322,392,196 Shares in issue as at the Latest Practicable Date and 83.33% of the Company's issued share capital as enlarged by the issue of 6,611,960,980 Offer Shares.

Assuming all 1,496,683 outstanding Options are exercised in full on or before the Record Date, 6,619,444,395 Offer Shares propose to be provisionally allotted, representing 500% of the Company's issued share capital of 1,323,888,879 Shares in issue as enlarged by 1,496,683 new Shares to be issued upon the exercise of the outstanding Options and 83.33% of the Company's issued share capital as enlarged by the issue of 1,496,683 new Shares to be issued upon the exercise of the outstanding Options and 6,619,444,395 Offer Shares.

The aggregate nominal value of the Offer Shares will be not less than HK\$66,119,609.80 and not more than HK\$66,194,443.95.

Basis of provisional allotment

The basis of the provisional allotment shall be five (5) Offer Shares for every one (1) existing Share held on the Record Date, being not less than 6,611,960,980 Offer Shares and not more than 6,619,444,395 Offer Shares at the Subscription Price of HK\$0.04 per Offer Share. Acceptance for all or any part of the Qualifying Shareholder's provisional allotment should be made by completing the Application Form and lodging the same with a remittance for the Offer Shares being accepted for.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will send (a) the Prospectus Documents to the Qualifying Shareholders; and (b) the Overseas Letter together with the Prospectus, for information only, to the Prohibited Shareholders.

To qualify for the Open Offer, the Shareholders must at the close of business on the Record Date (a) be registered on the register of members of the Company; and (b) not be the Prohibited Shareholders.

In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) for registration with the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 19 July 2011.

LETTER FROM THE BOARD

Closure of register of members

The register of members of the Company will be closed from Wednesday, 20 July 2011 to Monday, 25 July 2011, both days inclusive. No transfer of Shares will be registered during this period.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

In compliance with the necessary requirements of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Open Offer to the Overseas Shareholders (if any). If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Offer Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Open Offer will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Open Offer, to be despatched to the Qualifying Shareholders on Tuesday, 26 July 2011. The Company will send copies of the Prospectus to the Overseas Shareholders for their information only, but will not send any Application Form and Excess Application Form to them.

As at the Latest Practicable Date, the Company had no Overseas Shareholders. In the event that there are new Overseas Shareholders in other overseas jurisdictions on or before the Record Date, the Board will make appropriate enquiries to its overseas lawyers in these overseas jurisdictions in respect of the Open Offer as mentioned above.

Subscription Price

The Subscription Price is HK\$0.04 per Offer Share, payable in full on application for the relevant provisional allotment of Offer Shares and, where applicable, application for excess Offer Shares under the Open Offer.

The Subscription Price represents:

- (a) a discount of approximately 74.36% to the closing price of HK\$0.156 per Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE BOARD

- (b) a discount of approximately 32.55% to the theoretical ex-entitlement price of HK\$0.0593 based on the closing price of HK\$0.156 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 76.16% to the average closing price of approximately HK\$0.1678 per Share for the last five consecutive trading days immediately prior to the Last Trading Day; and
- (d) a discount of approximately 47.37% to the closing price of HK\$0.076 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and Kingston with reference to the market price of the Shares prior to the Last Trading Day. The Directors (including the independent non-executive Directors) consider the terms of the Open Offer, including the Subscription Price which has been set as a discount to the theoretical ex-entitlement prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to share in the potential growth of the Company, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The net price per Offer Share will be approximately HK\$0.039.

Fractions of the Offer Shares

On the basis of provisional allotment of five (5) Offer Shares for every one (1) existing Share held on the Record Date, no fractional entitlements to the Offer Shares will arise under the Open Offer.

Application for the Offer Shares and excess Offer Shares and basis for allocation of excess application

The Application Form in respect of the assured allotment of the Offer Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Offer Shares as shown therein by completing such form and lodging the same with a remittance for the Offer Shares being taken up with the Registrar by the Latest Time for Acceptance.

Qualifying Shareholders may apply, by way of excess application, for any entitlements of the Prohibited Shareholders and for any Offer Shares provisionally allotted but not accepted by completing the Excess Application Forms for application for excess Offer Shares and lodging the same with a separate remittance for the excess Offer Shares being

LETTER FROM THE BOARD

applied for. The Directors will allocate the excess Offer Shares at their discretion on a fair and equitable basis on the following principles:

- (a) preference will be given to applications for less than a board lot of Offer Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism; and
- (b) subject to availability of excess Offer Shares after allocation under principle (a) above, the excess Offer Shares will be allocated to the Qualifying Shareholders, who have applied for excess Offer Shares, on a pro-rata basis based on the number of the excess Offer Shares applied by them, with allocations to be made in full board lots where practicable.

Shareholders or investors of the Company should note that the number of excess Offer Shares which may be allocated to them may be different where they make applications for excess Offer Shares by different means, such as making applications in their own names as against through nominees who also hold Shares for other Shareholders/investors. Investors with their Shares held by a nominee company should note that the Board will regard the nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Offer Shares will not be extended to beneficial owners individually. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in any doubt as to their status.

Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:30 p.m. on Tuesday, 19 July 2011.

Status of the Offer Shares

The Offer Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Offer Shares.

The first day of dealings in the Offer Shares is expected to be on Wednesday, 17 August 2011.

LETTER FROM THE BOARD

Share certificates and refund cheques for the Open Offer

Subject to the fulfillment of the conditions of the Open Offer, share certificates for Offer Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Monday, 15 August 2011. Refund cheques in respect of wholly or partially unsuccessful applications for excess Offer Shares are expected to be posted on or before Monday, 15 August 2011 by ordinary post to the applicants at their own risk.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in, the Offer Shares. The Offer Shares will have the same board lots size of 2,000 Shares per board lot. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong and any other applicable fees and charges in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Underwriting Agreement

Date:	7 June 2011
Underwriter:	Kingston
Number of Offer Shares to be underwritten:	Not less than 3,879,160,980 Offer Shares and not more than 4,988,044,395 Offer Shares. Accordingly, the Open Offer is fully underwritten.
Commission:	1.25% of the aggregate Subscription Price in respect of the maximum number of the Underwritten Shares

LETTER FROM THE BOARD

The Board considers the terms of the Underwriting Agreement including the commission rate accord with the market practice are fair and reasonable so far as the Company and the Shareholders are concerned.

To the best of the Directors' knowledge, information and belief, save for Kingston holding one Share as at the Latest Practicable Date, Kingston and its ultimate beneficial owners are Independent Third Parties.

Pursuant to the Underwriting Agreement, in the event of Kingston being called upon to subscribe for or procure subscribers for the Untaken Shares, (a) Kingston shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert (having the meaning of the Takeovers Code) with it in the Company to exceed 10% of the voting rights of the Company upon the completion of the Open Offer; and (b) Kingston shall use its best endeavours to ensure that each of the subscribers of the Untaken Shares procured by it (i) shall be the Independent Third Party; and (ii), save for Kingston and its associates, shall not, together with any party acting in concert (having the meaning of the Takeovers Code) with it, hold 10% or more of the voting rights of the Company upon completion of the Open Offer.

Kingston has sub-underwritten 4,194,000,000 Offer Shares, representing approximately 63.43% (assuming no outstanding Option is exercised on or before the Record Date) and approximately 63.36% (assuming all the outstanding Options are exercised on or before the Record Date) respectively of the total number of the Offer Shares to sub-underwriters.

Irrevocable undertakings given by Mr. Lei and Thought Diamond

- (a) Mr. Lei has irrevocably undertaken to the Company and to Kingston that:
- (aa) in the event that the Placing under the Placing and Subscription Agreement is not completed,
 - (i) not to dispose of, or agree to dispose of, any Shares held by him from the date of termination of the Placing and Subscription Agreement by Kingston to the close of business on the Record Date;
 - (ii) to accept or procure the acceptance for the 1,101,400,000 Offer Shares to be allotted and issued to Mr. Lei under his entitlement pursuant to the Open Offer; and

LETTER FROM THE BOARD

- (iii) to lodge the Application Form(s) in respect of the 1,101,400,000 Offer Shares referred to in paragraph (aa)(ii) above accompanied by the appropriate remittances which shall be honoured on first presentation and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance, or
- (bb) conditional upon the completion of the Subscription under the Placing and Subscription Agreement,
- (i) not to dispose of, or agree to dispose of, any Shares held by him from the date of completion of the Subscription to the close of business on the Record;
 - (ii) to accept or procure the acceptance for the 1,101,400,000 Offer Shares to be allotted and issued to him under his entitlement pursuant to the Open Offer; and
 - (iii) to lodge the Application Form(s) in respect of the 1,101,400,000 Offer Shares referred to in paragraph (bb)(ii) above accompanied by the appropriate remittances which shall be honoured on first presentation and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance.
- (b) Thought Diamond has undertaken to the Company and to Kingston:
- (i) not to dispose of, or agree to dispose of, any Shares held by it from the date of the Underwriting Agreement to the close of business on the Record;
 - (ii) to accept or procure the acceptance for the 530,000,000 Offer Shares to be allotted and issued to Thought Diamond under its entitlement pursuant to the Open Offer; and
 - (iii) to lodge the Application Form(s) in respect of the 530,000,000 Offer Shares referred to in paragraph (ii) above accompanied by the appropriate remittances which shall be honoured on first presentation and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance.

LETTER FROM THE BOARD

Save and except for Mr. Lei and Thought Diamond, the Board has not received any information from any substantial Shareholders of their intention to take up the Offer Shares provisionally allotted or offered to them as at the Latest Practicable Date.

Conditions of the Open Offer

The Open Offer is conditional upon:

- (a) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;
- (b) the filing with the Registrar of Companies in Bermuda one copy of the Prospectus Documents duly signed by either all Directors or one of the Directors (for and on behalf of all the Directors) and otherwise in compliance with the Companies Act not later than the Prospectus Posting Date;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (d) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings;
- (e) the passing of a resolution by the Independent Shareholders to approve the Underwriting Agreement, the Open Offer and the transactions contemplated thereunder at the SGM;
- (f) the passing of a resolution by the Shareholders to approve the Proposed Increase in Authorised Share Capital at a special general meeting of the Company and the same having become effective;
- (g) the obligations of Kingston becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;

LETTER FROM THE BOARD

- (h) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement;
- (i) compliance with and performance of all undertakings and obligations of Mr. Lei under the Underwriting Agreement;
- (j) compliance with and performance of all undertakings and obligations of Thought Diamond under the Underwriting Agreement;
- (k) compliance with and performance of all undertakings and obligations of Kingston under the Underwriting Agreement; and
- (l) if necessary, the Bermuda Monetary Authority granting consent to the issue of the Offer Shares by the Latest Time for Termination or such other time as Kingston may agree with the Company in writing.

The conditions precedent are incapable of being waived. If the conditions precedent are not satisfied in whole or in part by the Company by the Latest Time for Termination or such other date as the Company and Kingston may agree, the Underwriting Agreement shall terminate (save and except clauses as disclosed in the Underwriting Agreement which shall remain in full force and effect under the Underwriting Agreement) and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

Termination of the Underwriting Agreement

Kingston shall have the right to terminate the arrangements set out in the Underwriting Agreement by notice in writing given to the Company at any time prior to 4:00 p.m. on the third Business Day after the Acceptance Date, if:

- (a) in the absolute opinion of Kingston, the success of the Open Offer would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of Kingston materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

LETTER FROM THE BOARD

- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of Kingston materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of Kingston is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (c) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of Kingston will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (f) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of Kingston, a material omission in the context of the Open Offer; or
- (g) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the announcement,

LETTER FROM THE BOARD

the circular or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

Kingston shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Kingston shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (a) any material breach of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of Kingston; or
- (b) any Specified Event comes to the knowledge of Kingston.

Any such notice shall be served by Kingston prior to the Latest Time for Termination.

WARNING OF THE RISK OF DEALINGS IN THE SHARES

Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and Kingston not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from Monday, 18 July 2011 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.

Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on 4:00 p.m. on Friday, 12 August 2011), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Open Offer, assuming (a) no outstanding Option is exercised on or before the Record Date; and (b) all the outstanding Options are exercised in full on or before the Record Date:

(a) no outstanding Option is exercised on or before the Record Date:

	As at the Latest Practicable Date	Approximate %	Upon completion of the Open Offer (assuming all Shareholders take up his/her/its entitlements under the Open Offer)	Approximate %	Upon completion of the Open Offer (assuming no Shareholders take up his/her/its entitlements under the Open Offer) (Note 2)	Approximate %
Mr. Lei	220,280,000	16.66	1,321,680,000	16.66	1,321,680,000	16.66
Thought Diamond	106,000,000	8.02	636,000,000	8.02	636,000,000	8.02
Mr. Chan Kin Wah, Billy (Note 1)	1,320,000	0.10	7,920,000	0.10	1,320,000	0.02
Public: Kingston and/or subscribers procure by it (Note 3)	1	0.00	6	0.00	4,980,560,981	62.77
Other public Shareholders	994,792,195	75.22	5,968,753,170	75.22	994,792,195	12.53
Total	<u>1,322,392,196</u>	<u>100.00</u>	<u>7,934,353,176</u>	<u>100.00</u>	<u>7,934,353,176</u>	<u>100.00</u>

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(b) all the outstanding Options are exercised on or before the Record Date:

	As at the Latest Practicable Date	Approximate %	All the outstanding Options are exercised in full on or before the Record Date	Approximate %	Upon completion of the Open Offer (assuming all Shareholders take up his/her/its entitlements under the Open Offer)	Approximate %	Upon completion of the Open Offer (assuming no Shareholders take up his/her/its entitlements under the Open Offer) (Note 2)	Approximate %
Mr. Lei	220,280,000	16.66	220,363,752	16.64	1,322,182,512	16.64	1,321,763,752	16.64
Thought Diamond	106,000,000	8.02	106,000,000	8.01	636,000,000	8.01	636,000,000	8.01
Mr. Chan Kin Wah, Billy (Note 1)	1,320,000	0.10	1,403,752	0.11	8,422,512	0.11	1,403,752	0.02
Public:								
Kingston and/or subscribers procure by it (Note 3)	1	0.00	1	0.00	6	0.00	4,988,044,396	62.80
Other public Shareholders	994,792,195	75.22	996,121,374	75.24	5,976,728,244	75.24	996,121,374	12.53
Total	1,322,392,196	100.00	1,323,888,879	100.00	7,943,333,274	100.00	7,943,333,274	100.00

Notes:

- Mr. Chan Kin Wah, Billy is an executive Director.
- This scenario is for illustration purpose only and will never occur. Pursuant to the Underwriting Agreement, in the event of Kingston being called upon to subscribe for or procure subscribers to subscribe for any of the Untaken Shares: (a) Kingston shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert (having the meaning under the Takeovers Code) with it in the Company to exceed 10% of the voting rights of the Company upon the completion of the Open Offer; and (b) Kingston shall use its best endeavours to ensure that each of the subscribers of the Untaken Shares procured by it (i) shall be Independent Third Party; and (ii) save for Kingston and its associates, shall not, together with any party acting in concert (having the meaning under the Takeovers Code) with it, hold 10% or more of the voting rights of the Company upon completion of the Open Offer.
- Kingston has confirmed with the Company that it has sub-underwritten 4,194,000,000 Offer Shares to sub-underwriters, who are Independent Third Parties. As such, in the event of Kingston being called upon to subscribe for or procure subscribers to subscribe for any of the Untaken Shares, Kingston will not hold more than 10% of the voting rights of the Company upon completion of the Open Offer and each of the subscribers of the Untaken Shares procured by it shall not hold 10% or more of the voting rights of the Company upon completion of the Open Offer.

LETTER FROM THE BOARD

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Company is an investment holding company and its subsidiaries are principally engaged in distribution of films, sub-licensing of film rights, sales of financial assets and provision of management services to concierge departments of gaming promoters.

On 11 April 2011, the Company announced the Proposed Acquisition of Citadines. Citadines Ashley TST (Hong Kong) Limited is a property holding company and its principal asset is the Ashley Property and Citadines Ashley TST Management (Hong Kong) Limited is a company providing management service to the Ashley Property. As disclosed in the Company's circular dated 25 May 2011, the consideration for the Proposed Acquisition of Citadines of HK\$283.00 million is financed by the net proceeds from the rights issue as announced by the Company on 28 July 2010. The Company expects to issue the circular relating to the Proposed Acquisition of Citadines in July 2011 and convene a special general meeting for approving the Proposed Acquisition of Citadines in August 2011.

The gross proceeds from the Open Offer will not be less than approximately HK\$264.48 million and not more than approximately HK\$264.78 million. The net proceeds from the Open Offer after deducting all relevant expenses are estimated to be not less than approximately HK\$260.39 million but not more than approximately HK\$260.69 million.

The net proceeds from the Open Offer is intended to be used for financing the Proposed Acquisition of Adelio. Adelio Holdings Limited has two subsidiaries, namely One Synergy and Rexdale Investment Limited. One Synergy is an investment holding company and its major asset is its 100% equity interest in Rexdale Investment Limited. Rexdale Investment Limited is a property holding company and its major asset is the property (the "**Property**") situated at a building, namely The Grande Building (嘉域大廈), located at Nos. 398-402 Kwun Tong Road (formerly known as No.95 How Ming Street), Kowloon, Hong Kong (the "**Building**"), particularly the sole and exclusive right and privilege to hold use occupy and enjoy Factory A on the First Floor (including its Flat Roof) of the Building, Factory B on the First Floor (including its Flat Roof) of the Building, Sixth Floor of the Building, Factory A on the Seventh Floor of the Building, Factory B on the Seventh Floor of the Building, Factory A on the Eighth Floor of the Building, Factory B on the Eighth Floor of the Building, Factory A on the Ninth Floor of the Building, Factory B on the Ninth Floor

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of the Building, Tenth Floor of the Building, Eleventh Floor of the Building, Twelfth Floor of the Building, Roof of the Building, External Walls of the Building, Lavatory A and Lavatory B on the Ground Floor of the Building and Car Parking Spaces Nos.1, 2, 3, 14, 15, 16, 17, 18, 19, 20 and 21 on the Ground Floor of the Building. The Building is an industrial building comprises 13-storey, which was built in 1981. The Property has a total gross floor area of approximately 139,412 square feet. It is currently intended by the Group that it will hold the Property as an investment property for resale purpose. For more information on Adelio Holdings Limited, One Synergy, Rexdale Investment Limited and the Property, please refer to the Company's announcement dated 2 June 2011.

The Board considers that it is prudent to finance the Proposed Acquisition of Adelio by long-term financing, preferably in the form of equity which will not increase the Group's finance costs. The Board considers that the Open Offer will enable the Group to strengthen its capital base and to enhance its financial position for strategic investments.

The Company expects to issue the circular relating to the Proposed Acquisition of Adelio on or before 30 September 2011 and convene a special general meeting for approving the Proposed Acquisition of Adelio in October 2011. According to the timetable of the Open Offer, the Open Offer is expected to be completed (i.e. on 12 August 2011) before the completion of the Proposed Acquisition of Adelio.

In the event that the Proposed Acquisition of Adelio does not proceed, the Company shall apply the net proceeds from the Open Offer to expand/develop the Group's property investment/development business.

LETTER FROM THE BOARD

The current cash requirement of the Group, the expected payment dates and the sources of funds in relation to the notifiable transactions announced by the Company, which have not yet been completed, are as follows:

Notifiable transactions	Expected payment date	HK\$ in million	Sources of funds
Subscription for the first tranche of the convertible bonds to be issued by China Star Entertainment Limited (“China Star”) as announced on 9 February 2011	July 2011	350.00	The internal resources of the Group
Proposed Acquisition of Citadines	September 2011	283.00	The net proceeds from the rights issue as announced on 28 July 2010
Proposed Acquisition of Adelio	November 2011	267.60	The net proceeds from the Open Offer and the Top-up Placing as completed on 17 June 2011
Subscription for the second tranche of the convertible bonds to be issued by China Star as announced on 9 February 2011	December 2011	300.00	The internal resources of the Group
Repayment of the promissory note owed by One Synergy to Lafe Corporation Limited	December 2011	118.00	The internal resources of the Group
		<hr style="width: 10%; margin: 0 auto;"/> 1,318.60 <hr style="width: 10%; margin: 0 auto;"/>	

Based on the cash and bank balance of HK\$989.63 million of the Group as at 31 December 2010 adjusted for the net proceeds of HK\$29.40 million from the Top-up Placing as completed on 17 June 2011, the adjusted cash and bank balance of the Group as at the Latest Practicable Date was HK\$1,019.03 million. Assuming the Open Offer does not proceed, there is a shortfall of HK\$299.57 million for the current cash requirement for the notifiable transactions announced by the Company.

LETTER FROM THE BOARD

Given (a) an open offer requires two to three months to complete and fund raising exercises are affected by market sentiment and fluctuation in equity market; and (b) the Group and the vendors/issuer in respect of the notifiable transactions have intentions and commercial reasons for completing the transactions, in particular Mr. Lei has given an undertaking to the vendor that he will vote for the resolutions in respect of the Proposed Acquisition of Citadines at the special general meeting, the Directors consider that the proceeding of the Open Offer shortly after the announcement of the Proposed Acquisition of Adelio is in an appropriate timing and a reasonable and proper way of doing business. As land is a scarce resource in Hong Kong and the supply of land is limited, the Directors also consider that the application of net proceeds from the Open Offer in expanding and developing the Group's property investment/development business is in the interests of the Company and the Shareholders as a whole.

In considering methods of financing in the form of equity of the Group, the Board has considered the possibility of a rights issue which allows the Shareholders to trade their entitlements in the market in nil-paid form. The trading of nil-paid entitlements in the market in nil-paid form pursuant to the rights issue was not proposed by the Board based on the following grounds:

- (i) will delay the process of fund raising on a timely manner;
- (ii) will increase administrative costs and expenses of the Company in arranging trading arrangement of the nil-paid rights and additional time for trading of nil-paid rights shares; and
- (iii) there is no certainty of a market to exist, and the trading cost involved may not be economical.

Other than rights issue or open offer, the Board also considers other fund raising activities, such as private placement of Shares and bank borrowing. With the size of fund to be raised, private placement of Shares will inevitably caused a massive dilution to the interest of the existing Shareholders as they will not be able to participate on an equitable basis. The Board is of the view that bank borrowing will increase financing costs of the Company and the Company have to dispense reasonable amount of time and resources to obtain credit facilities from financial institutions at favourable terms, which may or may not available.

LETTER FROM THE BOARD

Based on the above, the Board considers that the Open Offer is more time and cost effective and a better option as the Open Offer with the Subscription Price which is substantially lower than the market price of the Share will attract the Qualifying Shareholders and give them the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group. The Board also considers that fund raising through the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole. However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

Save for the acceptance of the 1,101,400,000 Offer Shares pursuant to the Underwriting Agreement, Mr. Lei, the Chairman of the Board, an executive Director and the substantial Shareholder, has indicated that he has no intention to buy or sell the Shares during the Open Offer period and afterward.

As at the Latest Practicable Date, the Company did not have any intention for future fund raising activities.

FINANCIAL AND TRADING PROSPECT

For the year ended 31 December 2010, the Group reported a loss of HK\$356,457,000 as compared to a profit of HK\$416,562,000 in last year. The deterioration of the Group's performance is attributable to the recognition of a loss of deemed disposal of associates of HK\$537,615,000. The Group recorded a core profit before share of results of associates and major non-cash items of HK\$77,144,000 for 2010, a 12.58% increase from HK\$68,522,000 for 2009. Given the loss of deemed disposal of associates is a non-recurring and non-cash item and the equity attributable to owners of the Company as at 31 December 2010 stood at HK\$1,344,663,000, the Company believes that such loss has no material adverse impact on the business operations of the Group and the financial position of the Group remains sound.

Although the provision of management services business generates a stable cash income to the Company, the Board continuously review the Group's business operation to ensure a lean overhead and cost effective operating structure to cope with the changing business environment and to better compete for success in the years to come.

With a view to diversify our revenue sources, the Board have spent considerable effort in expanding new businesses which enable the Group to diversify its revenue sources and improve the Group's profitability in the long run.

LETTER FROM THE BOARD

During the year of 2011, the Company has entered into two agreements with Independent Third Parties to acquire the Ashley Property and a property located at Kwun Tong, Kowloon (together with the Ashley Property, collectively the “**Properties**”). The acquisitions enable the Group to enjoy the benefit from the capital appreciation of the property investment business and the positive impact on the profitability of the Group. The acquisitions are subject to the Shareholder’s approval and expected to be completed this year. Upon completion of the acquisitions, the Company will carry out the property investment business and will continue to carry out its existing business. Details of the Properties have been disclosed in the Company’s announcements dated 11 April 2011 and 2 June 2011.

FUNDING RAISING EXERCISES IN THE 12 MONTHS IMMEDIATELY PRECEDING THE LATEST PRACTICABLE DATE

Set out below is the fund raising exercises conducted by the Company in the past 12 months immediately preceding the Latest Practicable Date.

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
7 June 2011	Top-up Placing	HK\$29.40 million	For financing the proposed acquisition of the entire issued share capital of Adelio Holdings Limited	The net proceeds have not been utilised.
28 July 2010	Issue of 826,584,147 new Shares by way of a rights issue on the basis of three new Shares for every one existing Share held on 3 September 2010 at a price of HK\$0.40 per Share	HK\$325.11 million	HK\$283.00 million for financing the Proposed Acquisition of Gitadines and the remaining balance of HK\$42.11 million for general working capital of the Group	HK\$283.00 million of the net proceeds have not been utilised and the remaining balance of HK\$42.11 million has been utilised as intended.
12 July 2010	Placing of 45,920,000 new Shares at a price of HK\$0.55 per Share under general mandate	HK\$24.9 million	For general working capital of the Group	The net proceeds have been utilised as intended.

LETTER FROM THE BOARD

ADJUSTMENTS TO OPTIONS

As at the Latest Practicable Date, the Company had 1,496,683 outstanding Options entitling the holders thereof to subscribe for 1,496,683 Shares. Adjustments to the exercise prices and numbers of the outstanding Options may be required under the relevant terms of the Share Option Scheme. The auditors of the Company will be appointed to certify the necessary adjustments, if any, to the exercise prices and numbers of the outstanding Options. Further announcement will be made by the Company in this regard.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to the requirements of the Listing Rules, the Open Offer must be made conditional on approval by the Shareholders by way of a poll at the SGM on which controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the directors (excluding independent non-executive directors), the chief executive of the Company and their respective associates are required to abstain from voting in favour of the Open Offer. As at the Latest Practicable Date, the Company had no controlling Shareholder and Mr. Lei and Mr. Chan Kin Wah, Billy, both of them are executive Directors, held 220,280,000 Shares and 1,320,000 Shares, respectively. Accordingly, Mr. Lei and Mr. Chan Kin Wah, Billy and their respective associates are required to abstain from voting in favour of the Open Offer at the SGM.

The Independent Board Committee has been formed to make recommendations to the Independent Shareholders in respect of the Open Offer. Donvex Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Upon the approval of the Open Offer by the Independent Shareholders at the SGM, the Prospectus Documents setting out details of the Open Offer will be despatched to the Qualifying Shareholders and the Overseas Letter together with the Prospectus will be despatched to the Prohibited Shareholders for information only on the Prospectus Posting Date.

SGM

The notice convening the SGM is set out on pages 77 to 79 of this circular. The SGM will be convened at Macau Jockey Club, Function Room, 1st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 14 July 2011 at 2:15 p.m. (or any adjournment thereof) for the purpose of, considering and, if thought fit, approving the Open Offer.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of a form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

You are advised to read carefully the letter from the Independent Board Committee and the letter from Donvex Capital set out on page 32 and pages 33 to 48 respectively of this circular. The Independent Board Committee, having taken into account the advice of Donvex Capital, considers that the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned and the Open Offer is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Open Offer.

Accordingly, the Directors believe that the terms of the Open Offer are fair and reasonable and in the interests of the Group and the Shareholders as a whole, therefore, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Open Offer.

Given none of the proposed subscription of the convertible bonds of HK\$650.00 million to be issued by China Star in two tranches, the Proposed Acquisition of Citadines and the Proposed Acquisition of Adelio has been completed as at the Latest Practicable Date, Shareholders and investors should note that the annual report of the Company for the year ended 31 December 2010 and the unaudited pro forma financial information of the Group as set out in Appendix II to this circular do not reflect the financial effects of these notifiable transactions.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Eternity Investment Limited
Lei Hong Wai
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Open Offer:



ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

28 June 2011

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED OPEN OFFER
ON THE BASIS OF FIVE OFFER SHARES
FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 28 June 2011 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Open Offer are fair and reasonable insofar as the Independent Shareholders are concerned. Donvex Capital has been appointed as the independent financial adviser to advise the Independent Shareholders and the Independent Board Committee in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, Donvex Capital as set out in its letter of advice to the Independent Shareholders and the Independent Board Committee on pages 33 to 48 of the Circular, we are of the opinion that the Open Offer is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Open Offer.

Yours faithfully,

For and on behalf of

Independent Board Committee

Mr. Tang Chak Lam, Gilbert

Mr. Hung Hing Man

Mr. Wan Shing Chi

Independent non-executive Directors

LETTER FROM DONVEX CAPITAL

The following is the full text of the letter from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Unit 1305, 13th Floor,
Carpo Commercial Building
18-20 Lyndhurst Terrace
Central
Hong Kong

28 June 2011

To the Independent Board Committee and the Independent Shareholders

Eternity Investment Ltd

Dear Sirs,

PROPOSED OPEN OFFER ON THE BASIS OF FIVE OFFER SHARES FOR EVERY ONE EXISTING SHARE HELD

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders whether the Open Offer is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Shareholders are concerned, details of which are set out in the letter from the Board contained in the circular of the Company dated 28 June 2011 (the “Circular”) and this letter forms part of the Circular. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

As set out in the letter from the Board, the Company proposes to raise not less than approximately HK\$220.42 million and not more than approximately HK\$264.78 million before expenses by issuing not less than 5,510,560,980 Offer Shares and not more than 6,619,444,395 Offer Shares to the Qualifying Shareholders by way of the Open Offer at the Subscription Price of HK\$0.04 per Offer Share on the basis of five Offer Shares for every one existing Share held on the Record Date and payable in full on acceptance.

LETTER FROM DONVEX CAPITAL

As the Open Offer will increase the issued share capital of the Company by more than 50%, pursuant to the Listing Rules, the Open Offer must be made conditional on the approval by Independent Shareholders at the SGM, where the controlling Shareholders, in case where the Company has no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution relating to the Open Offer. As at the Latest Practicable Date, the Company does not have any controlling Shareholder.

The Independent Board Committee, comprising all the independent non-executive Directors, Mr. Tang Chak Lam, Gilbert, Mr. Hung Hing Man and Mr. Wan Shing Chi has been established to make recommendations to the Independent Shareholders as to whether the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and to advise the Shareholders on how to vote at the SGM.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statement, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors or management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the dispatch of the Circular.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe that there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, untrue or inaccurate. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company.

LETTER FROM DONVEX CAPITAL

In formulating our opinion, we have not considered the taxation implications on Shareholders in relation to the subscription for, holding or disposal of the Offer Shares or otherwise, since these are particular to their individual circumstances. It is emphasized that we will not accept responsibility for any tax effects on, or liabilities or any person resulting from the subscription for, holding or disposal of the Offer Shares or otherwise. In particular, Shareholders subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinion regarding the terms of the Open Offer, we have taken the following principal factors and reasons into consideration:

(I) Background

The Company is an investment holding company and its subsidiaries are principally engaged in distribution of films, sub-licensing of film rights, sales of financial assets and provision of management services to concierge departments of gaming promoters.

The table below summarized the financial results of the Group for the two years ended 31 December 2010 as extracted from the annual report of the Company:

	31 December 2010	31 December 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	78,200	74,711
Profit/(Loss) for the year attributable to the equity holders of the Company	<u>(356,457)</u>	<u>416,562</u>
Cash	<u>989,625</u>	<u>275,802</u>

As shown in the table above, the Group has a significant loss for the year ended 31 December 2010 due to the loss on deemed disposal of an associate of HK\$537.6 million which was partly offset by a gain on early repayment of promissory note receivable of HK\$64.6 million and a gain on early repayment of convertible notes receivable of HK\$75.9 million. Despite the fact that the Group recorded the loss of HK\$537.6 million, the Board is of a view that such loss has no material adverse

LETTER FROM DONVEX CAPITAL

impact on the business operations of the Group and the financial position of the Group as the loss of deemed disposal of associates is a non-recurring and non-cash item and the equity attributable to owners of the Company as at 31 December 2010 stood at HK\$1,344.66 million.

Save for the loss for the year ended 31 December 2010, the cashflow of the Group will be substantially reduced due to the fact that (i) it has procured to subscribe for the convertible bond of HK\$650 million issued by China Star Entertainment Limited which its related circular has been despatched on 1 April 2011; and (ii) HK\$283 million will be used to finance the acquisition of the entire issued share capital of Citadines Ashley TST (Hong Kong) Limited and Citadines Ashly TST Management (Hong Kong) Limited as stated in the announcement of the Company dated 11 April 2011; and (iii) HK\$267.6 million will be used to finance the acquisition of the entire issued share capital of Adeho Holdings Limited as stated in the announcement of the Company dated 2 June 2011. As such, the proceeds from the Open Offer will enhance the cashflow of the Group.

(II) Reason for the Open Offer

The gross proceeds of the Open Offer at the Subscription Price of HK\$0.04 per Offer Share will be not less than approximately HK\$220.42 million and not more than approximately HK\$264.78 million. The net proceeds from the Open Offer after deducting all relevant expenses are estimated to be not less than approximately HK\$216.33 million but not more than approximately HK\$260.68 million.

On 11 April, the Company announced that the Proposed Acquisition of Citadines at a cash consideration of HK\$283 million. Citadines Ashley TST (Hong Kong) Limited is a property holding company and its principal asset is the Ashley Property and Citadines Ashley TST Management (Hong Kong) Limited is a company providing management service to the Ashley Property. As disclosed in the Company's circular dated 25 May 2011, the Proposed Acquisition of Citadines is financed by the net proceeds from the rights issue as announced by the Company on 28 July 2010. The Company expects to issue the circular relating to the Proposed Acquisition of Citadines in July 2011.

Furthermore, as stated in the announcement of the Company dated 2 June 2011, following the 2008 financial crisis, investors are allocating their wealth from equities and structured products to real estate assets as they believe real estate assets provide not only a stable income flow in short run, but also an opportunity for capital gain in long run. Real estate assets are also effective against inflation. With a view to

LETTER FROM DONVEX CAPITAL

expand into property investment/development business, the Company has intended to expand into property investment/development business by acquiring two properties during the year 2011. Given land is a scarce resource in Hong Kong and the land supply of Hong Kong is limited, the Directors are positive on the Hong Kong property market.

The net proceeds from the Open Offer is intended to be used for financing the proposed acquisition of the entire issued share capital of Adelio Holdings Limited as announced by the Company on 2 June 2011. Adelio Holdings Limited has two subsidiaries, namely One Synergy Limited and Rexdale Investment Limited. One Synergy Limited is an investment holding company and its major asset is its 100% equity interest in Rexdale Investment Limited. Rexdale Investment Limited is a property holding company and its major asset is the property situated at a building, namely The Grande Building, located at Nos. 398-402 Kwun Tong Road Kowloon, Hong Kong, particularly the sole and exclusive right to hold use occupy and enjoy Factory A on the First Floor of the building, Factory B on the First Floor of the building, Sixth Floor of the building, Factory A on the Seventh Floor of the building, Factory B on the Seventh Floor of the building, Factory A on the Eighth Floor of the building, Factory B on the Eighth Floor of the building, Factory A on the Ninth Floor of the building, Factory B on the Ninth Floor of the building, Tenth Floor of the building, Eleventh Floor of the building, Lavatory A and Lavatory B on the Ground Floor of the building and Car Parking Spaces Nos. 1, 2, 3, 14,15, 16, 17, 18, 19, 20 and 21 on the Ground Floor of the building. The building is an industrial building comprises 13 storey, which was built in 1981. Such property has a total gross floor area of approximately 139,412 square feet. It is currently intended by the Group that it will hold on such property as an investment property for resale purpose.

We considered that the above proposed acquisition is in line with the business strategy of the Group and presents an opportunity to the Group to expand into the property investment on its own. As such, we consider the Open Offer would provide further financial resources to the Company and is in the interest of the Company and the Shareholders as a whole.

Given the Open Offer is expected to be completed on 12 August 2011 and the circular relating to the Proposed Acquisition of Adelio and the notice of the SGM for approving the Proposed Acquisition of Adelio are expected to be dispatched on or before 30 September 2011, the Open Offer will proceed in the event the Proposed Acquisition of Adelio will not proceed for whatever reason. In the event that the Proposed Acquisition of Adelio does not proceed, the Company shall apply the net proceeds from the Open Offer to expand/develop the Group's property investment/development business.

LETTER FROM DONVEX CAPITAL

(III) Terms of the Open Offer

The Open Offer is on the basis of five Offer Shares for every one Share held on the Record Date. The Subscription Price is HK\$0.04 per Offer Share, payable in full upon application. The Subscription Price represents:

- (a) a discount of approximately 74.36% to the closing price of HK\$0.156 per Shares as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 32.55% to the theoretical ex-entitlement price of HK\$0.0593 based on the closing price of HK\$0.156 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (c) a discount of approximately 76.16% to the average closing price of approximately HK\$0.1678 per Share for the last five consecutive trading days immediately prior to the Last Trading Day.

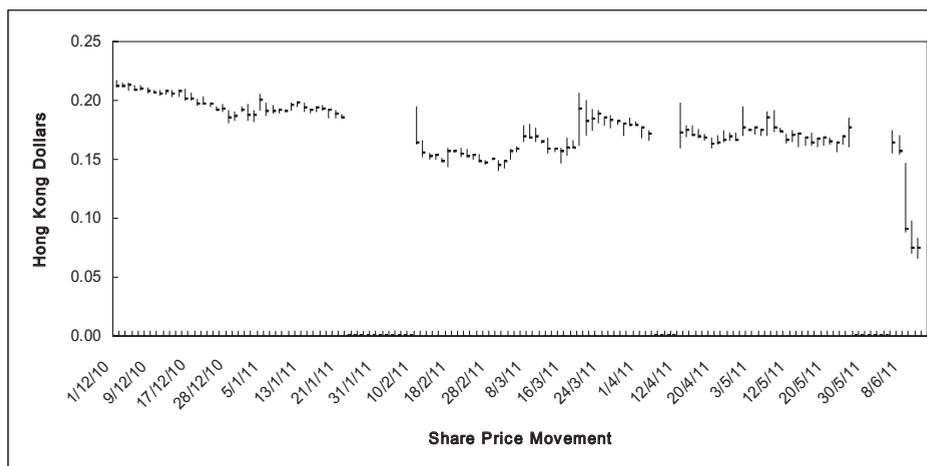
As stated in the letter from the Board, the Subscription Price was arrived at after arm's length negotiations between the Company and Kingston with reference to the then market environment, prevailing Share prices and the financial position of the Group. The Directors consider the discount to the prevailing Shares prices would encourage Shareholders to participate in the Open Offer and participate in the future growth of the Group. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same time in proportion to his/her/its existing shareholding in the Company. Accordingly, the Directors consider that terms of the Open Offer (including the Subscription Price) are fair and reasonable and in the interests of the Company and Shareholders as a whole.

Share price performance

In order to assess the fairness and reasonableness of the Subscription Price, we have review the closing price of the Shares for the period from 1 December 2010, being the 6 months period prior to the date of the Underwriting Agreement, up to

LETTER FROM DONVEX CAPITAL

and including the Latest Practicable Date (the “Review Period”). The table below illustrates the monthly average closing price of the Consolidated Shares versus the Subscription Price during the Review Period:

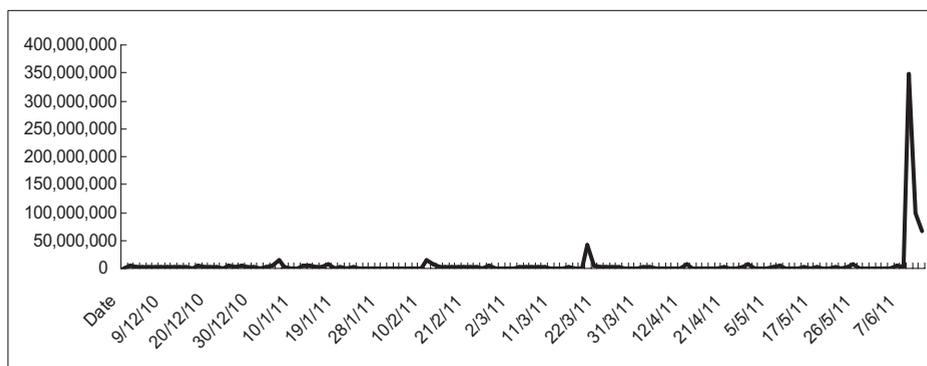


Source: http://www.hkex.com.hk/eng/invest/company/chart_page_e.asp

During the Review Period, the highest and lowest closing price of the Shares were HK\$0.213 in 3 December 2010 and HK\$0.074 in 7 June 2011 respectively. The Subscription Price is lower than the lowest closing price of the Shares, and represents a discount of approximately 45.95% to the aforesaid highest and lowest closing prices of the Share respectively. The Company is of the view that the Subscription Price which represents discounts to the market prices as illustrated above may be likely to attract the Qualifying Shareholders to participate in the Open Offer.

Liquidity

For the purpose of assessing the liquidity of the Shares, the following chart and table show the daily trading volume of the Shares during the Review Period:



Source: http://www.hkex.com.hk/eng/invest/company/chart_page_e.asp

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During the Review Period, no trading of the Shares were recorded on 21 trading days out of 129 trading days. As illustrated in the table above, the monthly average daily trading volume of the Shares during the Review Period had been relatively inactive and illiquid. As such, we consider the liquidity of the Shares was thin.

Comparison with other open offers

In assessing the fairness of the Subscription Price, we consider a broader comparison of open offers of ordinary shares of other companies listed on the Stock Exchange to provide a more general reference for the pricing of the Open Offer. We select the comparables falling within the period from December 2010 to June 2011 due to the reason that six months prior to December 2010, Hang Seng Index has an upward trend from approximately 20,000 to 23,000. The period from December 2010 to June 2011 experienced a relatively more volatile cycle from approximately 21800 to 24100. As such, to the best of our knowledge, we have identified 36 rights issue (the “Comparables”) conducted by companies that are listed on the Main Board of the Stock Exchange, which announced their respective offers from 1 December 2010 up to and including 9 June 2011, being the date of the Underwriting Agreement, for reference. As the terms of the Comparables are determined under similar market conditions and sentiments as the Open Offer given that the period from December 2010 to June 2011 has undergone the fluctuation of Hang Seng Index from approximately of 21800 to approximately of 24100, indicating (i) the price of shares of the Comparables and the Company; (ii) the discount of the price of shares offered by the Comparables and the Company; and (iii) subscribers, are subject to the same fluctuation cycle of Hang Seng Index, we are of the view that the Comparables may reflect the recent trend of the open offer transactions in the market and consider the Comparables are fair and representative samples. Details of the Comparables are summarized in the following table:

Company name/stock code	Date of announcement	Offer ratio	(Discount) of subscription price over/to the closing price per Share on the last trading day	(Discount) of subscription price over/to the theoretical ex-right price per Share	Underwriting commission
Champion Technology Holdings Limited (Code No. 92)	1 December 2010	4 for 9	(21.1%)	(29.6%)	2.5%
Shangri-La Asia Limited (Code No. 69)	9 December 2010	1 for 12	(5.8%)	(5.4%)	1%
Wang On Group Limited (Code No. 1222)	13 December 2010	8 for 1	(87.65%)	(37.89%)	3%

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Company name/stock code	Date of announcement	Offer ratio	(Discount) of subscription price over/to the closing price per Share on the last trading day	(Discount) of subscription price over/to the theoretical ex-right price per Share	Underwriting commission
Zhongtian International Limited (Code No. 2379)	17 December 2010	10 for 1	(96.7%)	(72.5%)	N/A
CultureCom Holdings Limited (Code No. 343)	17 December 2010	1 for 2	(41.7%)	(32.70%)	N/A
V.S. International Group Limited (Code No. 1002)	22 December 2010	1 for 3	(18.37%)	(14.44%)	N/A
Pan Asia Mining Limited (Code No. 8173)	23 December 2010	5 for 1	(74.36%)	(32.58%)	2.5%
Easyknit Enterprises Holdings Limited (Code No. 616)	5 January 2011	1 for 2	(34%)	(25.5%)	1%
Heritage International Holdings Limited (Code No. 412)	6 January 2011	1 for 2	(35.06%)	(26.47%)	2.5%
Capital VC Limited (Code No. 2324)	12 January 2011	1 for 2	(28.57%)	(21.05%)	3%
Seng Yuan Holdings Limited (Code No. 851)	23 January 2011	2 for 5	(46.84%)	(38.24%)	1.5%
Hanny Holdings Limited (Code No. 275)	31 January 2011	8 for 1	(90.16%)	(50.50%)	2.5%
Nam Hing Holdings Limited (Code No. 986)	31 January 2011	26 for 1	(92.80%)	(32.3%)	3%
China 3D Digital Entertainment Limited (Code No. 8078)	1 February 2011	7 for 1	(95.238%)	(71.429%)	2%
Wharf (Holdings) Ltd (Code No. 4)	10 February 2011	1 for 10	(31%)	(29%)	1.25%
China Properties Investment Holdings Limited (Code No. 736)	16 February 2011	30 for 1	(83.61%)	(13.92%)	3%
Kantone Holdings Limited (Code No. 1059)	1 March 2011	2 for 5	(24.81%)	(19.35%)	2.5%

LETTER FROM DONVEX CAPITAL

Company name/stock code	Date of announcement	Offer ratio	(Discount) of subscription price over/to the closing price per Share on the last trading day	(Discount) of subscription price over/to the theoretical ex-right price per Share	Underwriting commission
Pacific Plywood Holdings Limited (Code No. 767)	8 March 2011	30 for 1	(88.89%)	(20%)	2.5%
China State Construction International Holdings Limited (Code No. 3311)	18 March 2011	1 for 5	(16.67%)	(14.29%)	2.5%
Cinda International Holdings Limited (Code No. 111)	29 March 2011	1 for 5	(38.9%)	(34.50%)	0.5%
Willie International Holdings Limited (Code No. 273)	8 April 2011	8 for 1	(82.88%)	(73.70%)	2.5%
Radford Capital Investment Limited (Code No. 901)	8 April 2011	4 for 1	(55.13%)	(19.72%)	2.5%
Polyard Petroleum International Group Limited (Code No. 8011)	12 April 2011	1 for 1	(23.08%)	(13.04%)	no
China Star Entertainment Ltd. (Code No. 326)	18 April 2011	3 for 1	(54.55%)	(23.08%)	2.5%
Bao Yuan Holdings Limited (Code No. 692)	19 April 2011	22 for 1	(83.05%)	(17.49%)	3%
Citic Resources Holdings Limited (Code No. 1205)	3 May 2011	3 for 10	(25.81%)	(21.10%)	1.5%
Media China Corporation Limited (Code No. 419)	6 May 2011	1 for 2	(25%)	(18.18%)	3%
21 Holdings Limited (Code No. 1003)	6 May 2011	8 for 1	(88.8%)	(46.8%)	2%
Midas International Holdings Limited (Code No. 1172)	18 May 2011	1 for 1	(45.4%)	(29.3%)	1%
Central China Real Estate Limited (Code No. 832)	25 May 2011	21.4 for 100	(21.2%)	(18.2%)	1.5%
Waytung Global Group Limited (Code No. 21)	26 May 2011	1 for 2	(33.33%)	(11.17%)	1%

LETTER FROM DONVEX CAPITAL

Company name/stock code	Date of announcement	Offer ratio	(Discount) of subscription price over/to the closing price per Share on the last trading day	(Discount) of subscription price over/to the theoretical ex-right price per Share	Underwriting commission
Vitop Bioenergy Holdings Limited (Code No. 1178)	1 June 2011	1 for 3	(48.98%)	(41.86%)	4%
Emperor Capital Group Limited (Code No. 717)	2 June 2011	2 for 1	(39.64%)	(17.96%)	2%
Crosby Capital Limited (Code No. 8088)	2 June 2011	1 for 1	(46.67%)	(30.43%)	2.5%
Simsen International Corporation Limited (Code No. 993)	3 June 2011	20 for 1	(87.12%)	(25%)	2.5%
China Agri-products Exchange Limited (Code No. 149)	9 June 2011	30 for 1	(87.09%)	(17.72%)	2.5%
Highest premium/(Lowest Discount)			(5.8%)	(5.4%)	
(Highest Discount)			(96.7%)	(72.5%)	
Median			(52.78%)	(29.06%)	2.0%
The Company	7 June 2011	5 for 1	(74.36%)	(32.55%)	1.25%

Source: <http://www.hkex.com>

As shown in the above table, the highest and lowest discount of subscription price to the closing on the last trading day are 96.7% and 5.8% respectively. As such, the discount of approximately 74.36% based on the closing price of HK\$0.156 per Share as quoted on the Stock Exchange on the Last Trading Day falls within the above range.

Based on the above table, we consider that it is not uncommon for the listed issuers in Hong Kong to issue offer shares at a remarkable discount to the market price in order to enhance the attractiveness of an open offer transaction. Having considered that (i) the Subscription Price was determined after arm's length negotiations between the Company and Kingston; (ii) the discount represented by the Subscription Price to the closing price of the Shares on the Last trading Day falls within the range of discount of the Comparables; and (iii) all Qualifying Shareholders are offered

LETTER FROM DONVEX CAPITAL

an equal opportunity to subscribe for the Offer Shares at the Subscription Price, we consider the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

Underwriting Commission

1.25% underwriting commission is for the Open Offer as compared to the range of the underwriting commission from 0.0% to 4.0% of the Comparables. Thus we consider it is fair and reasonable as far as the Independent Shareholders are concerned.

Other terms of the Open Offer

The other terms of the Open Offer, being set out in the Letter from the Board, include the detailed terms related to:

- (a) the Qualifying Shareholders
- (b) the Basis of provisional allotment
- (c) the Fractions of Offer Shares
- (d) the Status of the Offer Shares
- (e) the Application for excess Offer Shares
- (f) the Terms of the Underwriting Agreement
- (g) the Conditions of the Open Offer.

Other than the Subscription Price and the underwriting commission of the Open Offer, we have also reviewed the other terms of the Open Offer together with the terms of the Underwriting Agreement as listed above, we are of the view that the terms of the Open Offer together with the terms of the Underwriting Agreement are on normal commercial basis, no extraordinary terms being noted.

(IV) Alternative financing

We have enquired with the Directors and were advised that, apart from the Open Offer, the Board has considered other financing alternatives such as debt financing as possible fund raising method for the Group. However, debt financing shall inevitably

LETTER FROM DONVEX CAPITAL

create interest payment obligations on the Group and it may be subject to lengthy due diligence and negotiations between the Group and the financiers. In addition, the ability of the Group to obtain bank borrowings usually depends on the profitability and financial standing of the Group as well as the then prevailing market condition. In light of the above and zero operating profit of the Group for the year ended 31 December 2010, the management of the Company considers debt financing to be relatively uncertain and time-consuming as compared to equity financing as the financial institution has more concern as to the overall profitability of the Company.

Save for the debt financing, the Board has also considered placement of new Shares with the size of fund to be raised, private placement of Shares will inevitably cause a massive dilution to the interest of the existing Shareholders as they will not be able to participate on an equitable basis.

In considering methods of financing in the form of equity of the Group, the Board has considered the possibility of rights issue which allows the Shareholders to trade their nil-paid entitlements in the market in nil-paid form. The trading of nil-paid entitlements in the market in nil-paid form pursuant to the rights issue was not proposed by the Board based on the following grounds:

- (i) will delay the process of fund raising on a timely manner;
- (ii) will increase administrative costs and expenses of the Company in arranging trading arrangement of the nil-paid rights and additional time for trading of nil-paid rights shares; and
- (iii) there is no certainty of a market to exist, and the trading cost involved may not be economical.

Based on the above, the Board considers that the Open Offer is more time and cost effective and a better option as the Open Offer with the Subscription Price which is substantially lower than the market price of the Share will attract the Qualifying Shareholders and give them the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group. Although those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted, all Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company and enable the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so.

LETTER FROM DONVEX CAPITAL

In view of the above, the Board considers that (i) the fund raising through the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the Open Offer is the only available option for the Company to raise fund to finance the proposed acquisition as mentioned in its announcement dated 2 June 2011.

(V) Risks associated with the Open Offer

Shareholders should note that, as stated in the Letter from the Board, the Open Offer is conditional, inter alia, upon the fulfillment of the conditions set out in the section headed “Conditions of the Open Offer”. In particular, the Open Offer is conditional upon the approval of the Independent Shareholders at the SGM by way of poll, the Underwriting agreement having become unconditional and Kingston not having terminated the Underwriting Agreement in accordance with the terms thereof as set out in the paragraph headed “Termination of the Underwriting Agreement”. Accordingly, the Open Offer may or may not proceed.

Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

(VI) Effect on shareholding interests of the Shareholders

The Open Offer is offered to all Qualifying Shareholders on the same basis. The Qualifying Shareholders should note that they will be able to maintain their proportional interests in the Company if they take up their allotments under the Open Offer in full. For those Qualifying Shareholders who choose not to take up in full their assured entitlements under the Open Offer will have their shareholdings in the Company diluted by up to a maximum of approximately 83.3% from their shareholding interest immediately upon completion of the Open Offer.

The dilution of the shareholding of Qualifying Shareholders, who choose not to take up in full their assured entitlements under the Open Offer, is inevitable. However, having taken into account that (i) the estimated proceeds from the Open Offer required for the proposed acquisition as stated in the announcement dated 2 June 2011; (ii) the Open Offer would further strengthen the capital base and financial flexibility of the Group; (iii) all Qualifying Shareholders have the same opportunity to maintain their proportional interests in the Company and allows them to participate in the growth of the Company; (iv) the discount represented by the Subscription Price is within the range of the discount of the Comparables; and (v) the positive impact on the financial position of the Group as a result of the

LETTER FROM DONVEX CAPITAL

Open Offer, including (i) the enhancement of the cashflow of the Group; (ii) the improvement of the gearing ratio of the Group; (iii) the strengthen of the net asset of the Group, we consider the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to accept the Open Offer, is acceptable.

(VII) Financial effects of the Open Offer

(a) *Net Asset*

As set out in Appendix II to the Circular, the consolidated net assets attributable to equity holders of the Company were approximately HK\$1,345 million. Upon completion of the Open Offer, an additional fund of approximately HK\$260.39 million to HK\$260.69 million (after expenses) will be added to the Company's current assets, the net assets attributable to equity holders of the Company would increase by approximately HK\$260 million and therefore brings a positive effect to the Group.

(b) *Gearing ratio*

According to the annual report for the year ended 31 December 2010 of the Company, the total liabilities and the total assets of the Group as at 31 December 2010 were approximately HK\$53 million and approximately HK\$1,397 million respectively. The gearing of the Group will be further improved by the Open Offer. The total assets of the Company are expected to increase by the net proceeds of the Open Offer immediately following the completion of the Open Offer.

(c) *Working capital*

The Open Offer shall have a positive effect on the Group's working capital upon Completion as the proceeds from the Open Offer will bring a net cash inflow to the Group

Based on the above, the completion of the Open Offer would have favourable effect to the Group's net assets value, gearing and working capital, we are of the view that the Open Offer is fair and reasonable, and in the interest of the Company and Shareholders as a whole.

LETTER FROM DONVEX CAPITAL

RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, have taken into account the following in arriving at our opinion:

- (i) the net proceeds from the Open Offer will (a) improve the working capital position of the Group; and (b) provide working capital for the Company to finance its proposed acquisition as stated in its announcement dated 2 June 2011;
- (ii) the Open Offer would enlarge the capital base of the Company;
- (iii) the Open Offer will allow all the Qualifying Shareholders to participate in the future growth and development of the Group; and
- (iv) the Open Offer is on normal commercial term;

Having considered the above, we are of the view that the Open Offer is in the interests of the Company and the Shareholders as a whole and the terms of the Open Offer are fair and reasonable so far as the Company and the Shareholders, including both the Qualifying Shareholder and the Prohibited Shareholders, are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Open Offer.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Doris Sy
Director

FINANCIAL INFORMATION INCORPORATED BY REFERENCE

The audited consolidated financial statements of the Group for the year ended 31 December 2008, 31 December 2009 and 31 December 2010, including the notes thereto, have been published in the annual reports of the Company for the year ended 31 December 2008 (pages 52 to 171), 31 December 2009 (pages 52 to 195) and 31 December 2010 (page 50 to 187) respectively, which are incorporated by reference into this circular. The said annual reports of the Company are available on the Company's website at www.ernityinv.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

STATEMENT OF INDEBTEDNESS**Borrowings**

As at the close of business on 31 May 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had no outstanding borrowings or material contingent liabilities.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 31 May 2011.

WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, in the absence of unforeseeable and after taking into account of the Proposed Acquisition of Citadines at a cash consideration of HK\$283.00 million, the Proposed Acquisition of Adelio at a cash consideration of HK\$267.60 million, the net proceeds from the Open Offer and the internal resources of the Group, the Group has sufficient working capital for its normal business for at least the next 12 months from the date of publication of this circular.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published audited consolidated accounts of the Group were made up.

**1. UNAUDITED PRO FORMA FINANCIAL STATEMENT OF ADJUSTED
CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effect of the Open Offer on the consolidated net tangible assets of the Group as if the Open Offer had been completed on 31 December 2010.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Open Offer been completed as at 31 December 2010 or any future date.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group as at 31 December 2010, as extracted from the published annual report of the Group as of 31 December 2010, and adjusted to reflect the effect of the Open Offer. Unless otherwise defined, capitalised terms used in the following text shall have the same meaning of those used in the Circular.

	Audited consolidated net assets of the Group attributable to owners of the Company as at 31 December 2010 <i>(Note 1)</i> HK\$'000	Adjustment for intangible assets <i>(Note 2)</i> HK\$'000	Net proceeds from the Subscription <i>(Note 3)</i> HK\$'000	Adjusted audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2010 after the completion of the Subscription HK\$'000	Estimated net proceeds from the Open Offer HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2010 immediately after the completion of the Open Offer HK\$'000
Based on						
6,611,960,980						
Offer Shares to be issued	1,344,663	(334,681)	29,400	1,039,382	260,388	1,299,770
	<u>1,344,663</u>	<u>(334,681)</u>	<u>29,400</u>	<u>1,039,382</u>	<u>260,388</u>	<u>1,299,770</u>
					<i>(Note 4)</i>	
Based on						
6,619,444,395						
Offer Shares to be issued	1,344,663	(334,681)	29,400	1,039,382	260,688	1,300,070
	<u>1,344,663</u>	<u>(334,681)</u>	<u>29,400</u>	<u>1,039,382</u>	<u>260,688</u>	<u>1,300,070</u>
					<i>(Note 5)</i>	
						HK\$
Adjusted audited consolidated net tangible assets of the Group per Share attributable to owners of the Company as at 31 December 2010 after the completion of the Subscription <i>(Note 6)</i>						<u>0.79</u>
Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to owners of the Company as at 31 December 2010 immediately after the completion of the Open Offer based on 6,611,960,980 Offer Shares to be issued <i>(Note 7)</i>						<u>0.16</u>
Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to owners of the Company as at 31 December 2010 immediately after the completion of the Open Offer based on 6,619,444,395 Offer Shares to be issued <i>(Note 8)</i>						<u>0.16</u>

Notes:

1. The audited consolidated net assets of the Group attributable to owners of the Company as at 31 December 2010 is extracted from the published annual report of the Group as of 31 December 2010.
2. The intangible assets of the Group as at 31 December 2010 are approximately HK\$334,681,000, which are extracted from the published annual report of the Group as of 31 December 2010.
3. On 7 June 2011, Mr. Lei, the Company and Kingston entered into the Placing and Subscription Agreement pursuant to which Mr Lei had agreed to place, through Kingston on a fully underwritten basis, 220,280,000 existing Shares at a price of HK\$0.135 per Share and had conditionally agreed to subscribe for 220,280,000 new Shares at a price of HK\$0.135 per Share. The net proceeds from the Subscription amounted to HK\$29,400,000. The Subscription was completed on 17 June 2011.
4. The estimated net proceeds from the Open Offer of approximately HK\$260,388,000 are based on 6,611,960,980 Offer Shares to be issued at the Subscription Price of HK\$0.04 per Offer Share and after deduction of estimated related expenses of approximately HK\$4,090,000.
5. The estimated net proceeds from the Open Offer of approximately HK\$260,688,000 are based on 6,619,444,395 Offer Shares to be issued at the Subscription Price of HK\$0.04 per Offer Share and after deduction of estimated related expenses of approximately HK\$4,090,000.
6. The adjusted audited consolidated net tangible assets of the Group per Share attributable to owners of the Company after the completion of the Subscription of approximately HK\$0.79 is calculated based on HK\$1,039,382,000 divided by 1,322,392,196 Shares in issue after the completion of the Subscription. The 1,322,392,196 Shares in issue comprised 1,102,112,196 Shares in issue as at 31 December 2010 and 220,280,000 new Shares issued on 17 June 2011 pursuant to the Subscription.
7. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to owners of the Company immediately after completion of the Open Offer of approximately HK\$0.16 is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Open Offer of approximately HK\$1,299,770,000 divided by 7,934,353,176 Shares in issue immediately after completion of the Open Offer. The 7,934,353,176 Shares in issue comprised 1,102,112,196 Shares in issue as at 31 December 2010, 220,280,000 new Shares issued on 17 June 2011 pursuant to the Subscription and 6,611,960,980 Offer Shares to be issued pursuant to the Open Offer.
8. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to owners of the Company immediately after completion of the Open Offer of approximately HK\$0.16 is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Open Offer of approximately HK\$1,300,070,000 divided by 7,941,836,591 Shares in issue immediately after completion of the Open Offer. The 7,941,836,591 Shares in issue comprised 1,102,112,196 Shares in issue as at 31 December 2010, 220,280,000 new Shares issued on 17 June 2011 pursuant to the Subscription and 6,619,444,395 Offer Shares to be issued pursuant to the Open Offer.

9. On 21 January 2011, the Company entered into the conditional subscription agreement with China Star and supplemented by a supplemental agreement dated 28 March 2011 in relation to the subscription of the convertible bonds in the maximum principal amount of HK\$650,000,000 in two tranches at their face values. According to the conditional subscription agreement, the amounts involved for the first tranche subscription and the second tranche subscription are HK\$350,000,000 and HK\$300,000,000 respectively. The proposed subscription of the convertible bonds of HK\$650,000,000 has not been completed yet as at the Latest Practicable Date.
10. On 25 May 2011, Riche (BVI) Limited (the “Riche”), a wholly owned subsidiary of the Company entered into the conditional sale and purchase agreement to acquire the entire issued share capital of Adelio Holdings Limited (“Adelio”) from Vartan Holdings Limited at a cash consideration of HK\$267,600,000. The acquisition has not been completed yet as at the Latest Practicable Date.
11. On 4 April 2011, Golden Stone Management Limited, a wholly owned subsidiary of the Company entered into the conditional sale and purchase agreement to acquire the entire issued share capital of Citadines Ashley TST (Hong Kong) Limited (“Citadines TST”) and Citadines Ashley TST Management Limited (“Citadines TST Management”) from Citadines Asheley TST (Singapore) Pte Ltd. at a cash consideration of HK\$283,000,000. The acquisition has not been completed yet as at the Latest Practicable Date.
12. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2010. The effects of the proposed subscription of the convertible bonds of HK\$650,000,000, the proposed acquisition of the entire issued share capital of Adelio and the proposed acquisition of the entire issued share capital of Citadines TST and Citadines TST Management, as stated in notes 9, 10 and 11 respectively, are not included in this unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as they are not directly attributable to the Open Offer.

**2. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT
OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following is the text of the report, prepared for the sole purpose of inclusion in this Circular, received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group set out in this appendix.



國 衛 會 計 師 事 務 所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

28 June 2011

The Director
Eternity Investment Limited
Unit 3811, 38/F., Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of Eternity Investment Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), as set out on pages 50 to 53 under the heading of “Unaudited Pro Forma Financial Information of the Group” (the “Unaudited Pro Forma Financial Information”) in Appendix II to the circular issued by the Company dated 28 June 2011 (“Circular”). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the proposed open offer of not less than 6,611,960,980 offer shares and not more than 6,619,444,395 offer shares to the qualifying shareholders by way of the open offer at the subscription price of HK\$0.04 per offer share on the basis of five offer shares for every one existing share held on the Record Date (as defined in the Circular) for inclusion in Appendix II of the Circular. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 50 to 53 to the Circular.

Respective responsibilities of the directors of the Company and reporting accountants

It is the sole responsibility of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 December 2010 or any future date.

Opinion

In our opinion:

- the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- such basis is consistent with the accounting policies of the Group; and
- the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully

HLB Hodgson Impey Cheng

Chartered Accountants

Certified Public Accountants

Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respect and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after the Proposed Increase in Authorised Share Capital becoming effective and upon completion of the Open Offer are as follows:

<i>Authorised:</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares as at the Latest Practicable Date	<u>20,000,000.00</u>
<u>10,000,000,000</u> Shares immediately after the Proposed Increase in Authorised Share Capital becoming effective	<u>100,000,000.00</u>

(i) Assuming no outstanding Option is exercised on or before the Record Date:

<i>Issued and to be issued:</i>	<i>HK\$</i>
1,322,392,196 Shares in issue and fully paid as at the Latest Practicable Date	13,223,921.96
<u>6,611,960,980</u> Offer Shares to be issued	<u>66,119,609.80</u>
<u>7,934,353,176</u> Shares in issue and fully paid upon completion of the Open Offer	<u>79,343,531.76</u>

(ii) Assuming all outstanding Options are exercised in full on or before the Record Date:

<i>Issued and to be issued:</i>	<i>HK\$</i>
1,322,392,196 Shares in issue and fully paid as at the Latest Practicable Date	13,223,921.96
1,496,683 Shares to be issued upon the exercise of the outstanding Options	14,966.83
<u>6,619,444,395</u> Offer Shares to be issued	<u>66,194,443.95</u>
<u>7,943,333,274</u> Shares in issue and fully paid upon completion of the Open Offer	<u>79,433,332.74</u>

All of the Offer Shares to be issued will rank pari passu in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Shares in issue as at the date of allotment and issue of the Offer Shares. The Offer Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Offer Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, save for the outstanding Options, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, there were no arrangement under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, no share or loan capital of the Company or any members of the Group had been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted, except for the Offer Shares and the 1,496,683 outstanding Options exercisable into 1,496,683 Shares.

3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as at the Latest Practicable Date, no Directors or chief executive of the Company had or was deemed to have interests or short positions in Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which

were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions

a. *the Shares*

Name of Director	Note	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Mr. Lei		Beneficial owner	220,280,000	16.66%
Mr. Cheung Kwok Wai, Elton	1	Other	106,000,000	8.02%
Mr. Chan Kin Wah, Billy		Beneficial owner	1,320,000	0.10%

Note:

- Mr. Cheung Kwok Wai, Elton is the elder brother of Mr. Cheung Kwok Fan. Mr. Cheung Kwok Wai, Elton is deemed to be interested in the Shares held by Thought Diamond.

b. *the Options*

Name of Director	Capacity	Number of Options held	Number of underlying Shares
Mr. Lei	Beneficial owner	83,752	83,752
Mr. Chan Kin Wah, Billy	Beneficial owner	83,752	83,752

c. *derivative to the Shares*

Name of Director	<i>Notes</i>	Capacity	Number of derivatives (physically settled)	Number of underlying Shares
Mr. Lei	1	Beneficial owner	1,101,400,000	1,101,400,000
Mr. Cheung Kwok Wai, Elton	2	Other	530,000,000	530,000,000

Notes:

1. The derivatives (physically settled) represent the irrevocable undertaking given by Mr. Lei in favour of the Company and Kingston to accept or procure the acceptance for 1,101,400,000 Offer Shares to be allotted to him under his entitlement pursuant to the Open Offer.
2. The derivatives (physically settled) represent the irrevocable undertaking given by Thought Diamond in favour of the Company and Kingston to accept or procure the acceptance for 530,000,000 Offer Shares to be allotted to it under its entitlement pursuant to the Open Offer.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors, no other person or companies had an interest or short positions in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any

class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Long positions

a. the Shares

Name of Shareholder	Notes	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Mr. Lei		Beneficial owner	220,280,000	16.66%
Thought Diamond	1	Beneficial owner	106,000,000	8.02%
Mr. Cheung Kwok Fan	1	Held by controlled corporation	106,000,000	8.02%
Mr. Cheung Kwok Wai, Elton	1	Other	106,000,000	8.02%
Asia Vest Partners VII Limited	2	Held by controlled corporations	1,294,921	9.95%
Asia Vest Partners X Limited	2	Held by controlled corporations	1,294,921	9.95%
Asia Vest Partners Limited	2	Held by controlled corporations	1,294,921	9.95%
Mr. Andrew Nam Sherrill	2	Held by controlled corporations	1,294,921	9.95%

Name of Shareholder	<i>Notes</i>	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Kingston	3	Beneficial owner	1	0.00%
Galaxy Sky Investments Limited	3	Held by controlled corporations	1	0.00%
Kingston Capital Asia Limited	3	Held by controlled corporations	1	0.00%
Kingston Financial Group Limited	3	Held by controlled corporations	1	0.00%
Active Dynamic Limited	3	Held by controlled corporations	1	0.00%
Ms. Chu Yuet Wah	3	Held by controlled corporations	1	0.00%

Notes:

1. Thought Diamond is wholly owned by Mr. Cheung Kwok Fan.
2. The number of issued Shares held was adjusted for the share consolidations that became effective on 30 April 2008 and 23 April 2009.
3. Kingston is wholly-owned by Galaxy Sky Investments Limited which is in turn wholly owned by Kingston Capital Asia Limited. Kingston Financial Group Limited holds 43.68% interests in Kingston Capital Asia Limited. Kingston Financial Group Limited is wholly owned by Active Dynamic Limited in which Ms. Chu Yuet Wah holds the entire interests.

b. The Options

Name of Shareholder	Capacity	Number of Options held	Number of underlying Shares
Mr. Lei	Beneficial owner	83,752	83,752

c. derivative to the Shares

Name of Shareholder	Notes	Capacity	Number of derivatives (physically settled)	Number of underlying Shares
Kingston	<i>1</i>	Beneficial owner	4,988,044,395	4,988,044,395
Galaxy Sky Investments Limited	<i>1</i>	Held by controlled corporations	4,988,044,395	4,988,044,395
Kingston Capital Asia Limited	<i>1</i>	Held by controlled corporations	4,988,044,395	4,988,044,395
Kingston Financial Group Limited	<i>1</i>	Held by controlled corporations	4,988,044,395	4,988,044,395
Active Dynamic Limited	<i>1</i>	Held by controlled corporations	4,988,044,395	4,988,044,395
Ms. Chu Yuet Wah	<i>1</i>	Held by controlled corporations	4,988,044,395	4,988,044,395
Mr. Lei	<i>2</i>	Beneficial owner	1,101,400,000	1,101,400,000

Name of Shareholder	Notes	Capacity	Number of derivatives (physically settled)	Number of underlying Shares
Thought Diamond	3	Beneficial owner	530,000,000	530,000,000
Mr. Cheung Kwok Fan	3	Held by controlled corporation	530,000,000	530,000,000
Mr. Cheung Kwok Wai, Elton	3	Other	530,000,000	530,000,000

Notes:

1. The derivatives (physically settled) represent the maximum number of the Underwritten Shares underwritten by Kingston pursuant to the Underwriting Agreement.
2. The derivatives (physically settled) represent the irrevocable undertaking given by Mr. Lei in favour of the Company and Kingston to accept or procure the acceptance for 1,101,400,000 Offer Shares to be allotted to him under his entitlement pursuant to the Open Offer.
3. The derivatives (physically settled) represent the irrevocable undertaking given by Thought Diamond in favour of the Company and Kingston to accept or procure the acceptance for 530,000,000 Offer Shares to be allotted to it under its entitlement pursuant to the Open Offer.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the date of this circular and which was significant in relation to the business of the Group.

None of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2010, being the date to which the latest published audited consolidated accounts of the Group were made up.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business or interest that competes or may compete with the business of the Group or any other conflicts of interest with the Group.

6. LITIGATION

As at the Latest Practicable Date, the Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with any member of the Group which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions and advices, which are contained in this circular:

Name	Qualifications
Donvex Capital	a licensed corporation to conduct type 6 (advising on corporate finance) regulated activity under the SFO
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants

Each of Donvex Capital and HLB Hodgson Impey Cheng has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters and references to its name and/or its advice in the form and context in which they respectively appear.

9. EXPERTS' INTERESTS IN ASSETS

As at the Latest Practicable Date, each of Donvex Capital and HLB Hodgson Impey Cheng:

- (a) was not interested, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2010, being the date to which the latest published audited consolidated accounts of the Group were made up; and
- (b) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. MISCELLANEOUS

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business of the Company is situated at Unit 3811, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited, having its office situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) Mr. Chan Kin Wah, Billy, the company secretary of the Company, is a member of the Hong Kong Institute of Certified Public Accountants, a CPA member of CPA Australia and a non-practicing member of the Chinese Institute of Certified Public Accountants. He holds a Bachelor of Administration Degree from University of Ottawa in Canada and a Master of Commerce Degree in Professional Accounting from University of New South Wales in Australia.
- (d) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in the case of inconsistency.

11. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

- (i) the subscription agreement dated 23 July 2009 entered into between China Star and the Company in respect of subscription of convertible bonds of HK\$200 million issued by China Star;
- (ii) the placing and subscription agreement dated 28 August 2009 entered into among the Company, Kingston and Classical Statue Limited, a then substantial Shareholder. Pursuant to the placing and subscription agreement, Classical Statue Limited has agreed to place, through Kingston, 22,000,000 Shares beneficially owned by it, on a fully underwritten basis, to not less than six independent investors at a price of HK\$0.42 per Share. Pursuant to the placing and subscription agreement, Classical Statue Limited has conditionally agreed to subscribe for 22,000,000 new Shares at a price of HK\$0.42 per Share;
- (iii) the conditional placing agreement dated 12 October 2009 entered into between Simple View Investment Limited (“**Simple View**”), a wholly-owned subsidiary of the Company, and Kingston, pursuant to which Simple View has conditionally agreed to place, through Kingston, 320,000,000 shares of HK\$0.01 each of China Star to not fewer than six independent investors at a price of HK\$0.20 per share;
- (iv) the subscription agreement dated 20 November 2009 entered into between the Company and Thought Diamond. Pursuant to the subscription agreement, the Company has conditionally agreed to allot and issue and Thought Diamond has conditionally agreed to subscribe for 56,000,000 Shares at the subscription price of HK\$0.50 per Share;
- (v) the sale and purchase agreement dated 31 March 2010 entered into between Riche (BVI) Limited (“**Riche**”), a wholly-owned subsidiary of the Company, and Mr. Man Kong Yui in relation to (i) the sale and purchase of 6,750,000 shares with a par value of HK\$1.00 each in the capital of Hantec Holdings Investment Limited for a consideration of HK\$18.00 million, which shall be settled by Riche procuring the Company to allot and issue 26,420,000 new

- Shares credited as fully paid to Mr. Man Kong Yui upon completion; and
- (ii) the granting of a call option by Riche to Mr. Man Kong Yui to acquire the 6,750,000 shares in Hantec Holdings Investment Limited from Riche for a consideration of HK\$21.60 million within one year from the date of completion;
- (vi) the joint venture agreement dated 24 June 2010 entered into between Max Winner Investments Limited, a wholly-owned subsidiary of the Company, and Yiu Hing International Limited relating to the formation of a joint venture company engaging in organic agricultural business in the People's Republic of China with a total capital contribution of HK\$60 million;
- (vii) the placing agreement dated 12 July 2010 entered into between the Company and Kingston, pursuant to which the Company has conditionally agreed to place, through Kingston on a best effort basis, a maximum of 45,920,000 new Shares to not fewer than six independent investors at a price of HK\$0.55 per Share;
- (viii) the joint venture agreement dated 21 July 2010 entered into between Riche, Campbell Shillinglaw & Partners (Vietnam) Limited and Victory Peace Holdings Limited relating to the setting up of a joint venture company, namely Victory Peace Holdings Limited, engaging in the business of conducting, development and investing into real estate and related projects in Vietnam;
- (ix) the facility agreement dated 21 July 2010 entered into between the Company and Victory Peace Holdings Limited relating to the grant of a revolving credit of HK\$700 million by the Company to Victory Peace Holdings Limited;
- (x) the underwriting agreement dated 28 July 2010 entered into between the Company and Kingston in relation to the proposed issue of not less than 826,584,147 and not more than 879,960,951 new Shares by way of a rights issue to the qualifying Shareholders at a price of HK\$0.40 per new Share on the basis of three new Shares for every one existing Share held on 3 September 2010;
- (xi) the conditional subscription agreement dated 21 January 2011 entered into between China Star and the Company in relation to the subscription of the convertible bonds of China Star by the Company in the principal amount of HK\$650 million in two tranches at their face value;

- (xii) the supplemental agreement dated 28 March 2011 entered into between the Company and China Star relating to the amendments to the subscription agreement dated 21 January 2011 relating to the proposed subscription of the convertible bonds of China Star by the Company;
- (xiii) the irrevocable undertaking dated 29 March 2011 given by Simple View to China Star, Mansion House Securities (F.E.) Limited and Heung Wah Keung Family Endowment Limited (a) to subscribe for or procure subscription for 200,000,000 new shares of China Star to which Simple View is entitled under the rights issue announced by China Star on 18 April 2011 and (b) not to dispose of and not to exercise the subscription rights attached to the warrants of China Star held by it in an aggregate principal amount of HK\$26.25 million on or before the completion of the rights issue;
- (xiv) the irrevocable undertaking dated 29 March 2011 given by the Company to China Star, Mansion House Securities (F.E.) Limited and Heung Wah Keung Family Endowment Limited not to dispose of the convertible bonds to be issued pursuant to the subscription agreement dated 21 January 2011 (if issued) and not to exercise the conversion rights attached to the convertible bonds (if issued) on or before the completion of the rights issue announced by China Star on 18 April 2011;
- (xv) the conditional sale and purchase agreement dated 4 April 2011 entered into between Golden Stone Management Limited, a wholly-owned subsidiary of the Company, and Citadines Ashley TST (Singapore) Pte. Limited, pursuant to which Golden Stone Management Limited has conditionally agreed to acquire and Citadines Ashley TST (Singapore) Pte. Limited has conditionally agreed to sell the entire issued share capital of Citadines Ashley TST (Hong Kong) Limited and Citadines Ashley TST Management (Hong Kong) Limited at a consideration of HK\$283.00 million;
- (xvi) the conditional sale and purchase agreement dated 2 June 2011 entered into between Riche and Vartan Holdings Limited pursuant to which Riche has conditionally agreed to acquire and Vartan Holdings Limited has conditionally agreed to sell the entire issue share capital of Adelio Holdings Limited at a consideration of HK\$267.60 million;
- (xvii) the Placing and Subscription Agreement;
- (xviii) the Underwriting Agreement; and

- (xix) the supplemental agreement dated 10 June 2011 entered into between Riche and Vartan Holdings Limited relating to the amendments to the conditional sale and purchase agreement dated 2 June 2011 relating to sale and purchase of the entire issued share capital share of Adelio Holdings Limited.

12. CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Lei Hong Wai (*Chairman*)

Mr. Cheung Kwok Wai, Elton

Mr. Chan Kin Wah, Billy, *CPA, CPA*
(*Aust.*), *CICPA (non-practicing)*

Independent Non-executive Directors

Mr. Tang Chak Lam, Gilbert

Mr. Hung Hing Man

Mr. Wan Shing Chi

Audit Committee

Mr. Tang Chak Lam, Gilbert

Mr. Hung Hing Man

Mr. Wan Shing Chi

Remuneration Committee

Mr. Lei Hong Wai

Mr. Tang Chak Lam, Gilbert

Mr. Wan Shing Chi

Nomination Committee

Mr. Lei Hong Wai

Mr. Tang Chak Lam, Gilbert

Mr. Wan Shing Chi

Finance Committee

Mr. Chan Kin Wah, Billy, *CPA, CPA*
(*Aust.*), *CICPA (non-practicing)*

Mr. Hung Hing Man

Authorised representatives

Mr. Lei Hong Wai

Mr. Chan Kin Wah, Billy, *CPA, CPA*
(*Aust.*), *CICPA (non-practicing)*

Company secretary	Mr. Chan Kin Wah, Billy, <i>CPA, CPA (Aust.), CICPA (non-practicing)</i>
Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business in Hong Kong	Unit 3811, Shun Tak Centre West Tower 168-200 Connaught Road Central Hong Kong
Principal share registrar and transfer office in Bermuda	HSBC Securities Services (Bermuda) Limited 6 Front Street Hamilton HM 11 Bermuda
Branch share registrar and transfer office in Hong Kong	Tricor Standard Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Auditors	HLB Hodgson Impey Cheng Chartered Accountants Certified Public Accountants
Principal bankers	Hang Seng Bank Limited Standard Chartered Bank (Hong Kong) Limited
Stock code	764
Website	www.etsernityinv.com.hk

13. PARTIES INVOLVED IN THE OPEN OFFER

Underwriter	Kingston Securities Limited Suite 2801, 28th Floor One International Finance Centre 1 Harbour View Street Hong Kong
Legal advisers to the Company and in relation to the Open Offer	<i>As to Hong Kong law:</i> King & Wood 9th Floor, Hutchison House 10 Harcourt Road Central Hong Kong <i>As to Bermuda law:</i> Conyers Dill & Pearman 2901, One Exchange Square 8 Connaught Place Central Hong Kong
Reporting accountants	HLB Hodgson Impey Cheng Chartered Accountants Certified Public Accountants 31/F., Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong

Financial advisors to the Company	Mansion House Securities (F.E.) Limited Unit 1102-03, 11/F. Far East Finance Centre 16 Harcourt Road Admiralty Hong Kong
	Nuada Limited 17th Floor, BLINK 111 Bonham Strand Sheung Wan Hong Kong
Independent financial advisor to the Independent Board Committee and the Independent Shareholders	Donvex Capital Limited Room 1305, 13/F., Carpo Commercial Building 18-20 Lyndhurst Terrace Central Hong Kong
Branch share registrar and transfer office in Hong Kong	Tricor Standard Limited 26 Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

14. EXPENSES

The expenses in connection with the Open Offer, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$4.09 million, which are payable by the Company.

15. PROFILES OF DIRECTORS

Executive Directors

Mr. Lei Hong Wai, aged 43, was appointed as an executive Director and the Chairman of the Board on 18 January 2010 and 1 February 2010, respectively. He is also the Chief Executive Officer of the Company. Mr. Lei is responsible for the development of the overall strategic planning and management of the Group. He has over eight years of extensive experience in corporate management, investment and business development. He was an executive Director during the period from 28 September 2001 to 13 October 2005. He was a director of The Chamber of Hong Kong Listed Companies Limited, which promotes interaction amongst its members which are listed companies in Hong Kong and the People's Republic of China, in 2002. He was the chairman and an executive director of Brilliant Arts Multi-Media Holding Limited (stock code: 8130, now known as Zhi Cheng Holdings Limited), a company listed on the Growth Enterprise Market ("GEM") operated by the Stock Exchange, during the period from 10 July 2007 to 24 June 2009.

Mr. Cheung Kwok Wai, Elton, aged 45, was appointed as an executive Director on 1 February 2011. Mr. Cheung is responsible for the daily operations of the Group. He has over 20 years of experience in the area of corporate finance and securities industries. He holds a Master Degree in Accounting and Finance from the University of Lancaster in the United Kingdom. Mr. Cheung was an executive director of Brilliant Arts Multi-Media Holding Limited (stock code: 8130, now known as Zhi Cheng Holdings Limited), a company listed on GEM, during the period from 27 August 2008 to 24 June 2009.

Mr. Chan Kin Wah, Billy, aged 48, was appointed as an executive Director on 18 January 2010. Mr. Chan is responsible for the financial management of the Group. He has over 15 years of experience in accounting and financial control. He is a member of the Hong Kong Institute of Certified Public Accountants, a CPA member of CPA Australia and a non-practicing member of the Chinese Institute of Certified Public Accountants. He holds a Bachelor of Administration Degree from the University of Ottawa in Canada and a Master of Commerce Degree in Professional Accounting from the University of New South Wales in Australia. He was an independent non-executive director of Ching Hing (Holdings) Limited (stock code: 692, now known as Bao Yuan Holdings Limited), a company listed on the Main Board of the Stock Exchange, during the period from 25 July 2007 to 2 July 2010. He was also an independent non-executive director of Eternite International Company Limited (stock code: 8351), a company listed on GEM, during the period from 21 September 2009 to 22 February 2011.

Independent non-executive Directors

Mr. Tang Chak Lam, Gilbert, aged 60, is a practicing solicitor in Hong Kong since 1987 and is a senior partner of Messrs. Gilbert Tang & Co. He joined the Company in February 2002. He was a director of Pok Oi Hospital in 1993 and a member of the Kowloon West Advisory Committee of Hong Kong Bank Foundation District Community Programme between July 1991 and November 1995. Mr. Tang holds a Bachelor of Law Degree from the University of Buckingham in the United Kingdom, and a Diploma in Chinese Law from the University of East Asia in Macau.

Mr. Hung Hing Man, aged 40, is a proprietor of a certified public accountant firm and has over 14 years of working experience in the sectors of corporate finance, accounting, auditing and taxation. He holds a Master Degree in Business Administration from the University of Western Sydney, Australia. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, an associate member of the Taxation Institute of Hong Kong and a member of the Society of Chinese Accountants and Auditors. He was an independent non-executive director of SMI Corporation Limited (stock code: 198), a company listed on the Main Board of the Stock Exchange, during the period from 14 July 2009 to 8 December 2009. He is currently an independent non-executive director of China Gamma Group Limited (stock code: 164) and Madex International (Holdings) Limited (stock code: 231), both companies are listed on the Main Board of the Stock Exchange. Mr. Hung joined the Company in May 2010.

Mr. Wan Shing Chi, aged 40, has over 16 years of experience in the field of construction engineering and is currently a site coordinator of a reputable construction company in Hong Kong. He holds a Bachelor Degree of Engineering with honours from University of Melbourne, Australia and is a member of the Asia Institute of Building. Mr. Wan joined the Company in May 2010.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Unit 3811, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong during normal business hours on any weekday other than public holidays, up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the financial years ended 31 December 2008, 2009 and 2010;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 32 of this circular;
- (d) the letter from Donvex Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 33 to 48 of this circular;
- (e) the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this circular;
- (f) the letter from HLB Hodgson Impey Cheng on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this circular;
- (g) the written consents referred to in the paragraph headed “Expert and Consent” to this Appendix;
- (h) the material contracts referred to in the paragraph headed “Material Contracts” to this Appendix;
- (i) a copy of each of the circulars issued by the Company pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules since 31 December 2010, being the date of the latest published audited accounts of the Company; and
- (j) this circular.

NOTICE OF SPECIAL GENERAL MEETING



ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Eternity Investment Limited (the “**Company**”) will be held at Macau Jockey Club, Function Room, 1st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 14 July 2011 at 2:15 p.m. (or any adjournment thereof) for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** subject to the fulfilment or waiver of the conditions set out in the underwriting agreement (the “**Underwriting Agreement**”) dated 7 June 2011 in respect of the proposed open offer by the Company and entered into between the Company, Kingston Securities Limited (the “**Underwriter**”), Mr. Lei Hong Wai and Thought Diamond International Limited (a copy of the Underwriting Agreement has been produced to the meeting marked “**A**” and signed by the Chairman of the meeting for the purpose of identification):

- (a) the allotment and issue of not less than 5,510,560,980 new shares and not more than 6,619,444,395 new shares (the “**Offer Shares**”) of HK\$0.01 each in the share capital of the Company (the “**Shares**”) pursuant to an offer by way of open offer to the holders of Shares (the “**Shareholders**”) at a subscription price of HK\$0.04 per Offer Share in the proportion of five Offer Shares for every one existing Share held by the Shareholders whose names appear on a register of members of the Company on Monday, 25 July 2011 (or such later date as the Company and the Underwriter may agree to be the record date for such Open Offer) (the “**Record Date**”) other than those Shareholders whose addresses on the Record Date are outside Hong Kong (the “**Overseas Shareholders**”) (the “**Open Offer**”) as described in further details in a circular issued by the Company dated 28 June 2011 of which the notice convening this meeting forms part and on and subject to such terms and conditions as may be determined by the directors of the Company, be and is hereby approved;

NOTICE OF SPECIAL GENERAL MEETING

- (b) the directors of the Company be and are hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing shareholdings of the Shareholders and, in particular, the directors of the Company may make such exclusions or other arrangements in relation to Overseas Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong, and to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and
- (c) the directors of the Company be and are hereby authorised to do all acts and things in connection with the allotment and issue of the Offer Shares, the implementation of the Open Offer and the Underwriting Agreement, the exercise or enforcement of any of the Company's rights under the Underwriting Agreement and to make and agree such variations of the terms of the Underwriting Agreement as they may in their discretion consider to be appropriate and in the interests of the Company.”

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

Hong Kong, 28 June 2011

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of business
in Hong Kong:*
Unit 3811, Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

NOTICE OF SPECIAL GENERAL MEETING

3. Any Shareholder entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or if he is the holder of two or more shares, more than one proxy to attend and vote instead of him. A proxy need not be a Shareholder.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.