THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

(I) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THOUGHT DIAMOND INTERNATIONAL LIMITED AND THE SALE LOAN AND (II) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Donvex 富域資本

Donvex Capital Limited
富域資本有限公司

A notice convening a special general meeting of Eternity Investment Limited to be held at Macau Jockey Club, 1/F Function Room, 1st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Friday, 10 October 2014 at 10:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the special general meeting is enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk.

Whether or not you are able to attend the special general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of 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 and in such event, the form of proxy shall be deemed to be revoked.

23 September 2014

CONTENTS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

"21 Holdings"	21 Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange under stock code: 1003
"Acquisition"	the proposed acquisition of the entire issued share capital of the Target Company and the Sale Loan
"associate"	has the meaning as ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"China Star"	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main board of the Stock Exchange under stock code: 326
"Company"	Eternity Investment Limited, a company incorporated in Bermuda with limited liability and the issued Shares are listed on the Main Board of the Stock Exchange under stock code: 764
"Completion"	the completion of the Acquisition
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the total consideration payable by the Purchaser for the Acquisition pursuant to the S&P Agreement
"Deed of Variation 1"	the deed of variation dated 25 April 2014 entered into among the Purchaser and the Vendor in relation to the amendment and modification of certain terms of the S&P Agreement

"Deed of Variation 2"	the deed of variation dated 19 September 2014 entered into among the Purchaser and the Vendor in relation to the extension of the Long Stop Date from 30 September 2014 to 31 October 2014
"Director(s)"	the director(s) of the Company
"EDS Wellness"	EDS Wellness Holdings Limited (formerly known as China AU Group Holdings Limited), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued shares of which are listed on the Growth Enterprise Market operated by the Stock Exchange under stock code: 8176
"Enlarged Group"	the Group as enlarged by the Acquisition
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee comprising Mr. Wan Shing Chi, Mr. Ng Heung Yan and Mr. Wong Tak Chuen, all of which are independent non-executive Directors to advise the Independent Shareholders in relation to the terms of the S&P Agreement and the transactions contemplated thereunder
"Independent Financial Adviser" or "Donvex Capital"	Donvex Capital Limited, a corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adivser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the S&P Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than the Vendor and his associates
"Kwun Tong Properties"	the whole of the 1st floor and the flat roof, the whole of 6th to 12th floors, roof, external walls, two lavatories, three lorry parking spaces and eight private car parking spaces on the ground floor of an industrial building located in Kwun Tong, Kowloon, Hong Kong with a total gross floor area of approximately 139,412 square feet exclusive of lavatories, lorry and car parking spaces flat roof and roof

"Latest Practicable Date"	19 September 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 October 2014 or such other date as the Purchaser and the Vendor may agree
"Offer Share(s)"	the new share(s) in 21 Holdings to be allotted and issued pursuant to the Open Offer
"One Synergy"	One Synergy Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
"Open Offer"	the proposed open offer conducted by 21 Holdings on the basis of one Offer Share for every two existing shares of 21 Holdings held by the qualifying shareholders of 21 Holdings on the Record Date at a subscription price of HK$0.50 per Offer Share as announced by 21 Holdings on 25 April 2014
"PRC"	the People's Republic of China
"Purchaser"	Riche (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
"Record Date"	21 May 2014, or such other date as may be agreed between 21 Holdings and the underwriter for determining entitlements to the Open Offer
"Sale Capital"	the entire issued share capital of the Target Company which is legally and beneficially owned by the Vendor
"Sale Loan"	all the interests, benefits and rights of and in the interest-free shareholder's loan owed by the Target Company to the Vendor on Completion, which as at 31 March 2014, amounted to HK$45,252,928

"SFO"	The Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"SGM"	a special general meeting of the Company to be convened and held at Macau Jockey Club, 1/F Function Room, 1st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Friday, 10 October 2014 at 10:00 a.m. to consider, and if thought fit, to approve, among other things, the Acquisition
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"S&P Agreement"	a conditional sale and purchase agreement entered into between the Purchaser and the Vendor dated 1 April 2014 (as amended and modified by the Deed of Variation 1 and the Deed of Variation 2) in respect of the Acquisition
"substantial shareholder"	has the meaning as ascribed to it under the Listing Rules
"Target Company"	Thought Diamond International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by the Vendor
"Twin Success"	Twin Success International Limited, a company incorporated in the British Virgin Islands with limited liability and a substantial Shareholder holding 105,708,000 Shares as at the date of the S&P Agreement and the Latest Practicable Date
"Vendor"	Mr. Cheung Kwok Fan, an executive Director, a substantial Shareholder and a brother of Mr. Cheung Kwok Wai, Elton, an executive Director
"%"	per cent.

ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

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

Independent non-executive Directors:
Mr. Wan Shing Chi
Mr. Ng Heung Yan
Mr. Wong Tak Chuen

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

23 September 2014

To the Shareholders

Dear Sir or Madam,

(I) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THOUGHT DIAMOND INTERNATIONAL LIMITED AND THE SALE LOAN AND (II) NOTICE OF SPECIAL GENERAL MEETING

A. INTRODUCTION

On 28 March 2014 (after the trading hours of the Stock Exchange), the Company as purchaser entered into negotiations with various investors as vendors through Success Securities Limited, a securities brokerage firm, for the sale and purchase of an aggregate 95,900,000 shares in 21 Holdings, representing approximately 29.90% of its then entire issued share capital.

The proposed acquisition of the 95,900,000 shares in 21 Holdings was first contemplated on 27 March 2014 between Mr. Lei Hong Wai and Mr. Cheung Kwok Wai, Elton, both being executive Directors. The reason for contemplating the proposed acquisition of shares in 21 Holdings was identifying suitable investment opportunities for the Group to diversify its businesses and broaden its revenue.

The Company noticed that Success Securities Limited is registered as the legal owner in CCASS of the 95,900,000 shares in 21 Holdings by using the CCASS shareholding search function on the Stock Exchange's website. On 28 March 2014, the Company then instructed its lawyer to liaise with Success Securities Limited to enquire as to whether any of the investors of the 95,900,000 shares in 21 Holdings who were willing to sell the shares in 21 Holdings to the Company were willing to sell their shares in 21 Holdings. The Company did not know the identity of the beneficial owners of the aforesaid 95,900,000 shares in 21 Holdings and only the registered owner (being Success Securities Limited) could be ascertained from publicly available information. Subsequently, the Company obtained copies of the bought and sold notes for the sale and purchase of 95,900,000 shares in 21 Holdings from the stock broker of the Target Company. The aforesaid bought and sold notes reveal that there are 12 investors involved, in which, there are three companies and nine individuals. Given that the Company does not have the identities of the shareholders of these three companies and does not know their places of incorporation, the Company is only able to perform Hong Kong company searches on them. According to the result of the aforesaid Hong Kong company searches, the Company noted that (i) a company with the same name of one of the aforesaid three companies was dissolved by deregistration on 1 August 2008; (ii) the director and the shareholder of another company with the same name of one of the aforesaid three companies has no relationship with the Directors and/or Twin Success; and (iii) a company with the same name of one of the aforesaid three companies had no records in the Hong Kong Companies Registry. As the Company is not certain the identities of the shareholders of these three companies, the Company is only able to confirm that each of the Company, the Directors and/or Twin Success does not have any relationship with the nine individuals.

The initial offer price was contemplated at HK$2.00 per share in 21 Holdings by the Company but this was rejected by Success Securities Limited at the instructions of the investors. The Company was informed by Success Securities Limited that an acceptable offer price would be around HK$3.00 per share in 21 Holdings. The offer price was then revised to HK$2.50 per share in 21 Holdings and HK$2.80 per share in 21 Holdings by the Company which was again rejected in each case. The offer price was finally prima facie acceptable to all of the investors when the offer price was revised to HK$2.95 per share in 21 Holdings (the "**Final Offer Price**") on 31

March 2014. On 31 March 2014, a formal offer letter was issued by the Company's lawyer to Success Securities Limited. The Final Offer Price of HK$2.95 per share in 21 Holdings represents (i) a premium of approximately 75.60% over the closing price of HK$1.68 per share in 21 Holdings (before adjustment to the Open Offer) as quoted on the Stock Exchange on 31 March 2014, being the date on which the Final Offer Price of HK$2.95 per share in 21 Holdings was agreed between the Company and the investors (through Success Securities Limited); and (ii) a premium of approximately 58.18% over the closing price of HK$1.865 per share in 21 Holdings (before adjustment to the Open Offer) as quoted on the Stock Exchange as at the Latest Practicable Date.

By offering the initial offer price, the Company intended to kick off the negotiation and to test the selling price which was acceptable to the investors. In determining the initial offer price of HK$2.00 per share in 21 Holdings, the Company believed that the final offer price would be based on the market price of 21 Holdings plus a premium. Such premium represents the significant influence premium for the Company to becoming the single largest substantial shareholder of 21 Holdings and the implicit value of the listing stature of 21 Holdings as discussed in the sub-section headed "Consideration" on pages 11 to 17 of this circular. Given that the Company did not know the selling price which was acceptable to the investors, the Company simply added a 25% premium to the closing price of share in 21 Holdings of HK$1.60 on 28 March 2014 for the first offer to the investors. In agreeing the Final Offer Price of HK$2.95 per share in 21 Holdings with the investors, the Company placed emphasis on the extent to which it can become the single largest substantial shareholder of 21 Holdings and effectively exercise a significant influence over the business activities of 21 Holdings and the listing stature of 21 Holdings as mentioned in the sub-section headed "Consideration" on pages 11 to 17 of this circular. No scientific or quantitative methods were employed in determining the Final Offer Price of HK$2.95 per share in 21 Holdings. The Final Offer Price of HK$2.95 per share in 21 Holdings was arrived at after arm's length negotiation between the Company (through its lawyers) and the investors (through Success Securities Limited) on a "willing buyer – willing seller" basis.

During the course of negotiations, Success Securities Limited indicated to the Company that the investors requested the completion of the sale and purchase of 95,900,000 shares in 21 Holdings to take place immediately after the agreement of the selling price per share in 21 Holdings. As the acquisition of 95,900,000 shares in 21 Holdings constitutes a notifiable transaction of the Company under the Listing Rules, a lengthy process will be required to comply with the announcement, reporting and shareholders' approval requirements of the Listing Rules. The Company has, therefore, requested the Vendor to procure the Target Company to enter into bought and sold notes with the investors on 1 April 2014, being the date of the S&P Agreement, for acquiring the 95,900,000 shares in 21 Holdings at a total consideration of HK$286,016,958, which represents the consideration of HK$282,905,000 paid for the 95,900,000 shares in 21 Holdings at the Final Offer Price of HK$2.95 per share, the stamp duty of HK$282,908 and the commission of HK$2,829,050 paid to Success Securities Limited, and, in turn, entering into the S&P Agreement with the Purchaser for selling the Sale Capital and the Sale Loan to the Group at the same consideration of HK$286,016,958 plus the net assets (excluding the amount due to the shareholder) of the Target Company as at 31 March 2014 in order to facilitate the sale and purchase of the 95,900,000 shares in 21 Holdings.

The acquisition of 95,900,000 shares in 21 Holdings by the Target Company was completed on 1 April 2014.

On 25 April 2014, the board of directors of 21 Holdings announced, (i) a placing of up to 64,000,000 new shares in 21 Holdings at a price of HK$0.81 per share under general mandate (the "**Placing**") and (ii) the issue of not less than 160,379,617 Offer Shares and not more than 192,379,617 Offer Shares by way of open offer on the basis of one Offer Share for every two existing shares held by the qualifying shareholders of 21 Holdings on 21 May 2014, being the Record Date, at a subscription price of HK$0.50 per Offer Share.

On 25 April 2014 (after trading hours), the Target Company gave an irrevocable undertaking (the "**Undertaking**") in favour of 21 Holdings and Kingston Securities Limited (the "**Underwriter**") (i) to subscribe for or procure subscription for 47,950,000 Offer Shares to which the Target Company is entitled under the Open Offer and (ii) not to dispose of any shares in 21 Holdings held by it from the date of the underwriting agreement to 21 May 2014, being the Record Date, in order to maintain its level of shareholding interest in 21 Holdings and to facilitate the Open Offer for raising additional capital for 21 Holdings to expand into a new business, namely the provision of mortgage financing. The number of shares in 21 Holdings held by the Target Company will be increased from 95,900,000 to 143,850,000 upon completion of the Open Offer assuming the Target Company takes up its entire entitlement under the Open Offer.

Accordingly, the Purchaser and the Vendor entered into the Deed of Variation 1 on 25 April 2014 pursuant to which the parties mutually agreed to amend the terms of the S&P Agreement in light of the Open Offer and the Undertaking.

On 7 May 2014, the Placing was completed. Immediately upon the completion of the Placing, the Target Company held 95,900,000 shares in 21 Holdings and the percentage of shareholding interest of the Target Company in 21 Holdings was diluted from approximately 29.90% to approximately 24.92% of the entire issued share capital of 21 Holdings as enlarged by the allotment and issue of 64,000,000 new shares in 21 Holdings.

On 16 June 2014, the Open Offer was completed. Immediately upon the completion of the Open Offer and as at the Latest Practicable Date, the Target Company held 143,850,000 shares in 21 Holdings, representing approximately 24.92% of the entire issued share capital of 21 Holdings as enlarged by the allotment and issue of 192,379,617 Offer Shares.

On 19 September 2014, the Purchaser and the Vendor entered into the Deed of Variation 2 pursuant to which the parties mutually agreed to extend the Long Stop Date from 30 September 2014 to 31 October 2014.

The purpose of this circular is to provide you with, among other matters, (i) further details regarding the S&P Agreement and the Acquisition; (ii) the financial information on the Group, the Target Company and 21 Holdings; (iii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the terms of the S&P Agreement and the transactions contemplated thereunder; (iv) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the S&P Agreement and the transactions contemplated thereunder; (v) the general information of the Company; and (vi) a notice convening the SGM.

B. THE ACQUISITION

The principal terms of the S&P Agreement (as amended and modified by the Deed of Variation 1 and the Deed of Variation 2)

Date:

1 April 2014

Parties:

(i) Purchaser: Riche (BVI) Limited, a wholly-owned subsidiary of the Company

(ii) Vendor: Mr. Cheung Kwok Fan

The Vendor is Mr. Cheung Kwok Fan, an executive Director and a substantial Shareholder by virtue of his 25% indirect shareholding interest in Twin Success. As at the date of the S&P Agreement and the Latest Practicable Date, Twin Success, which is owned as to 50% by Mr. Lei Hong Wai, the Chairman of the Board and an executive Director, as to 25% by Mr. Cheung Kwok Wai, Elton, an executive Director, and as to 25% by the Vendor, beneficially owns 105,708,000 Shares, representing approximately 19.30% of the issued share capital of the Company. In addition, the Vendor and Mr. Cheung Kwok Wai, Elton, an executive Director, are brothers. As such, the Vendor is a connected person of the Company.

The Acquisition

Pursuant to the S&P Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to dispose of the Sale Capital and the Sale Loan, subject to the terms and conditions of the S&P Agreement.

The Sale Capital represents the entire issued share capital of the Target Company.

The Sale Loan represents all the interests, benefits and rights of and in the interest-free shareholder's loan owed by the Target Company to the Vendor on Completion, which as at 31 March 2014, amounted to HK$45,252,928.

As at the date of the S&P Agreement, the major assets of the Target Company were the 95,900,000 shares in 21 Holdings, representing approximately 29.90% of the then issued share capital of 21 Holdings. The Target Company is the single largest substantial shareholder of 21 Holdings.

On 7 May 2014, 21 Holdings allotted and issued 64,000,000 new shares to not less than six placees pursuant to the Placing for raising additional capital to expand into a new business, namely the provision of mortgage financing. Accordingly, the shareholding interest of the Target Company in 21 Holdings was diluted from approximately 29.90% as at the date of the S&P Agreement to approximately 24.92%. The Target Company remained the single largest substantial shareholder of 21 Holdings.

On 16 June 2014, the Open Offer was completed.

As the Latest Practicable Date, the major assets of the Target Company are the 143,850,000 shares in 21 Holdings, representing approximately 24.92% of the entire issued share capital of 21 Holdings as enlarged by the allotment and issue of (i)

64,000,000 shares in 21 Holdings pursuant to the Placing and (ii) 192,379,617 Offer Shares pursuant to the Open Offer. The Target Company remains the single largest substantial shareholder of 21 Holdings.

Consideration

The Consideration shall be HK$310,077,297 and shall be payable as follows:

(a) paying a refundable deposit of HK$286,016,958 (the "**First Deposit**") by the Purchaser to the Vendor (or his nominee) upon the signing of the S&P Agreement;

(b) paying a further refundable deposit of HK$23,975,000 (the "**Further Deposit**" together with the First Deposit, collectively (the "**Deposit**")) by the Purchaser to 21 Holdings on or before the latest date for acceptance of the Offer Shares as specified by 21 Holdings (or such later date as 21 Holdings and the Underwriter may agree); and

(c) paying the balance of the Consideration of HK$85,339 to the Vendor by the Purchaser at Completion.

The Deposit shall be immediately returned to the Purchaser without interest in the event of non Completion for whatever reason.

In the event of the Open Offer being terminated or does not become unconditional,

(a) the Consideration payable to the Vendor by the Purchaser shall be HK$286,102,297;

(b) the Further Deposit shall be immediately returned to the Purchaser without interest; and

(c) the balance of the Consideration of HK$85,339 shall be paid to the Vendor by the Purchaser at Completion.

The First Deposit shall be immediately returned to the Purchaser without interest in the event of non Completion for whatever reason.

As at the Latest Practicable Date, the Deposit of HK$309,991,958 have been paid.

The Consideration of HK$310,077,297 was determined based upon the consideration of the 95,900,000 shares in 21 Holdings of HK$286,016,958 plus the net assets (excluding the amount due to shareholder) of HK$85,339 of the Target Company as at 31 March 2014 and the subscription price of HK$23,975,000 for the 47,950,000 Offer Shares to which the Target Company has undertaken to subscribe for pursuant to the Undertaking.

The consideration of HK$286,016,958, which represents the consideration of HK$282,905,000 paid for the 95,900,000 shares in 21 Holdings at the Final Offer Price of HK$2.95 per share, the stamp duty of HK$282,908 and the commission of HK$2,829,050 paid to Success Securities Limited, for the sale and purchase of the 95,900,000 shares in 21 Holdings was arrived after arm's length negotiations between the Company and the investors on a "willing buyer – willing seller" basis. Based on the consideration of HK$286,016,958 for the 95,900,000 shares in 21 Holdings, the selling price per share in 21 Holdings is HK$2.982.

Prior to the negotiation for the sale and purchase of the 95,900,000 shares in 21 Holdings, the Company noticed from the website of the Stock Exchange that a shareholder and the then chairman of the board of directors of 21 Holdings held 11,000,000 and 5,400,000 shares in 21 Holdings respectively. The aggregate of 16,400,000 shares in 21 Holdings held by them represented 6.73% of the then issued share capital of 21 Holdings. The Company also noticed that 21 Holdings had no substantial or controlling shareholder (as defined in the Listing Rules). Therefore, if the Company was able to acquire a substantial shareholding interest in 21 Holdings, the Company could become the single largest substantial shareholder of 21 Holdings and effectively play a significant influential role over the operational and strategic decision-making processes of 21 Holdings, which has a cash and bank balance of HK$120,238,000 as at 31 December 2013 according to the annual report of 21 Holdings for the year ended 31 December 2013 and a well-developed property agency network throughout Hong Kong.

In business environment, a controlling/significant influencing interest is generally to be worth more, on a per-share basis, than a non-controlling/non-significant influencing interest as it is able to exercise certain powers which a minority shareholder is unable to do so. As 21 Holdings has no substantial or controlling shareholder (as defined in the Listing Rules), the acquisition of 95,900,000 shares in 21 Holdings from the investors makes the Company becoming the single largest substantial shareholder of 21 Holdings and enables the Company to effectively exercise a significant influence over the operational and strategic decision-making processes of 21 Holdings.

In addition to the premium (the "**Premium**") of share price on acquiring a significant influencing interest of 21 Holdings as mentioned above, an implicit value is attached to the listing stature of 21 Holdings as 21 Holdings possesses all the advantages of a listed company, i.e. an ability to raise additional funds through the issuance of more securities, a greater confidence by the public and an ability to offer securities in the acquisition of assets etc. Such implicit value is well established and understood in the market. Although, the implicit value of 21 Holdings cannot be quantified at any point of time unless a genuine sale and purchase materialise, the existence of implicit value of a listed company is evidenced by the trading prices of many loss-making listed companies exceeding their net assets value per share. However, such implicit value exists when a price is agreed between a vendor and a purchaser on a "willing buyer – willing seller" basis through an arm's length negotiation. The Premium is also the same as the implicit value of a listed company. The Premium cannot be quantified at any point of time, but exists when it is agreed between a vendor and a purchaser on a "willing buyer – willing seller" basis through an arm's length negotiation.

The Directors believe that the Hong Kong Government's demand curb measures is one of the major factors causing 21 Holdings' property agency segment to report loss in the years ended 31 December 2011, 2012 and 2013. If the property agency segment recorded profit for three consecutive financial years and no demand curb measures was in place, it is anticipated that the Group would have to offer a substantially higher consideration for acquiring the 95,900,000 shares in 21 Holdings. The Directors believe that weak market sentiment often coincides with a good opportunity to invest and the unsatisfactory financial performance of 21 Holdings limits the investors for asking a higher selling price.

Given that the daily trading volume of the shares in 21 Holdings on the Stock Exchange was thin prior to the Acquisition, which is less than 1.5% of the then issued share capital of 21 Holdings for the first quarter of 2014, acquiring a substantial number of shares in 21 Holdings directly on the Stock Exchange has no doubt pushed up the share price of 21 Holdings due to the "supply and demand" theory. This is evidenced by the increase in share price (before adjustment to the Open Offer) from HK$0.54 to HK$1.68 along with the increase in trading volume during the period from 14 February 2014 to 31 March 2014. Market reaction to a significant change in shareholding of 21 Holdings generally also drives up the share price of 21 Holdings. Therefore, the Directors consider that the acquisition of a 29.90% equity interest in the then issued share capital of 21 Holdings from the investors is a fair, reasonable and effective mean.

Prior to the agreement of the selling price per share in 21 Holdings with the investors, the Directors have examined the share prices of two companies listed on the Main Board of the Stock Exchange which engage in a similar business as 21 Holdings as reference in the negotiation process as there is no company listed on the Stock Exchange carrying on the exact same business as 21 Holdings. These two companies are Midland IC&I Limited (stock code: 459) and Midland Holdings Limited (stock code: 1200). On 31 March 2014, being the trading day immediately prior to the date of the S&P Agreement, the average closing prices per share of Midland IC&I Limited and Midland Holdings Limited for the last 10 trading days immediately prior to the date of the S&P Agreement were HK$0.0486 and HK$4.012 respectively. As Midland Holdings Limited incurred a loss for the year ended 31 December 2013, there is no price earnings ratio for its shares. For Midland IC&I Limited, its shares were trading at an average price earnings ratio of approximately 27.00 times for the last 10 trading days immediately prior to the date of the S&P Agreement. Based on the latest published audited consolidated financial statements of 21 Holdings for the year ended 31 December 2013, the Final Offer Price of HK$2.95 per share in 21 Holdings represents a price earnings ratio of approximately 26.82 times with an earnings per share of HK$0.1126 for the year ended 31 December 2013. The Final Offer Price of HK$2.95 is slightly lower than that of Midland IC&I Limited as stated above.

The direction of comparison of price earnings ratio with listed companies engaged in similar business merely serves as a reference in the negotiation process. For the purpose of becoming the single largest substantial shareholder of 21 Holdings, the Company placed more emphasis on the extent to which it can become the single largest substantial shareholder of 21 Holdings and effectively exercise a significant influence over the business activities of 21 Holdings and the listing stature of 21 Holdings in negotiating the consideration for the sale and purchase of the 95,900,000 shares in 21 Holdings with the investors.

The Directors would like to stress that the direct comparison of price earnings ratio between 21 Holdings and Midland IC&I Limited (stock code: 459) is not exhaustive and conclusive. The comparison is merely for the purpose of reference only in the negotiation process.

The Directors notice that, after adjusting the reversal of the provision for losses for litigation of HK$86,500,000, 21 Holdings reports an adjusted consolidated loss of HK$51,306,000 for the year ended 31 December 2013. With the adjusted consolidated loss of HK$51,306,000, 21 Holdings does not have a price earnings ratio. Therefore, the use of price earnings ratio comparison is merely for the purpose of reference only for the Group on the negotiation process and is not a factor in reaching the Final Offer Price of HK$2.95 per share in 21 Holdings with the investors.

The Final Offer Price of HK$2.95 per share in 21 Holdings was solely dictated by how much the Company was willing to pay for the 95,900,000 shares in 21 Holdings and by how much the investors were willing to sell them through the arm's length negotiation between the Company (through its lawyers) and the investors (through Success Securities Limited). The negotiation process has been disclosed on pages 6 to 8 of this circular.

Given that the acquisition of the 95,900,000 shares in 21 Holdings enables the Company to become the single largest substantial shareholder of 21 Holdings, a company listed on the Main Board of the Stock Exchange, and to exercise an effective control/significant influence over 21 Holdings, the Final Offer Price of HK$2.95 per share in 21 Holdings consists of not only the fundamental value represented by each of the 95,900,000 shares in 21 Holdings, but also the Premium and the implicit value of the listing statute of 21 Holdings as discussed on page 12 to 13 of this circular.

In selecting the reference, the Directors did not employ discounted cash flow or price to book ratio due to the lack of reliable data for preparing a cashflow projection for discounted cash flow and price to book ratio is more useful when valuing companies, such as finance, investment, insurance and banking companies.

Based on the above, the Directors consider that it should take into the above qualitative factors, namely the Premium and the implicit value of the listing stature of 21 Holdings in determining the fairness and reasonableness of the consideration paid for becoming the single largest substantial shareholder of 21 Holdings which enables the Group to effectively exercise a significant influence over 21 Holdings and a direct comparison of the Final Offer Price of HK$2.95 per share in 21 Holdings with its average trading price of 21 Holdings for a specific period or its net assets value per share is irrelevant.

As such, the Directors consider that the consideration of HK$286,016,958 for the sale and purchase of the 95,900,000 shares in 21 Holdings is fair and reasonable as it was arrived at after arm's length negotiation between the Company (through its lawyers) and the investors (through Success Securities Limited) on a "willing buyer – willing seller" basis. In addition, the Acquisition enables the Company to:

(a) invest in a well-established business, the provision of property agency and related services under the brand name of "Century 21" which was launched in Hong Kong in 1994 and has become the third largest player in the field of property agency in Hong Kong in terms of the number of branch network;

(b) effectively play a significant influential role over the operational and strategic decision-making processes of 21 Holdings, which has a cash and bank balance of HK$120,238,000 as at 31 December 2013 and a well-developed property agency network throughout Hong Kong; and

(c) utilise the advantages of the listing stature of 21 Holdings to develop and expand into new business lines.

The Directors believe that the listing stature of 21 Holdings provides an ability to raise additional capital for developing its business through various routes, such as rights issue and placing of securities, and liquidity and ready marketability of its shares for realising the Enlarged Group's investment in future. The liquidity and ready marketability of its shares is referring to the fact that the Enlarged Group can (i) sell the shares in 21 Holdings on the Stock Exchange and (ii) sell its significant influencing interest in 21 Holdings to a third party or other existing shareholders of 21 Holdings. As the shares in 21 Holdings owned by the Enlarged Group embed with the Premium and the implicit value of the listing stature of 21 Holdings, it is expected that the price for disposing of the entire shares in 21 Holdings as a "whole block" will be higher.

Based on the unaudited pro forma financial information as set out in Appendix IV to this circular, if the Acquisition had taken place on 31 December 2013, a goodwill arising on the acquisition of 21 Holdings of HK$258,237,000 would have been recognised. The goodwill arising on the acquisition of 21 Holdings is the difference between the cost of investment in 21 Holdings and the Enlarged Group's share of the net fair value of 21 Holdings' identifiable assets and liabilities as at 31 December 2013, which mainly represents the Premium and the implicit value of the listing stature of 21 Holdings. Such goodwill of HK$258,237,000 would have been charged to the consolidated statement of profit and loss of the Enlarged Group for the year ended 31 December 2013 as impairment loss recognised in respect of interest in an associate (the "**Estimated Impairment Loss**") in accordance with HKSA 28 *Investments in Associates*.

Having recognised the Estimated Impairment Loss upon completion of the Acquisition, the carrying amount of the investment in 21 Holdings (in which the goodwill arising from the acquisition being formed part) in the books of the

Enlarged Group is tested for impairment in accordance with HKAS 36 *Impairment of Assets* at the end of each reporting period by comparing with its recoverable amount (higher of value in use and fair value less costs to sell). If, at the end of any reporting period, the share price of 21 Holdings increases causing an increase in the recoverable amount and the recoverable amount exceeds the carrying amount of the investment in 21 Holdings in the books of the Enlarged Group, the excess will be credited to the consolidated statement of profit and loss as reversal of the Estimated Impairment Loss under catergory of "other gains". According to HKAS 36 *Impairment of Assets*, the accumulative amount of such reversal shall not exceed the amount of the Estimated Impairment Loss (i.e. HK$258,237,000). Even if the share price of 21 Holdings stood at a level exceeding HK$2.156 per share, being the average selling price per share of 143,850,000 shares in 21 Holdings under the S&P Agreement, at the end of any reporting period for whatever reasons, the Enlarged Group would have recorded the reversal up to the amount of the Estimated Impairment Loss (i.e. HK$258,237,000). Therefore, the Directors consider that the Estimated Impairment Loss is not a factor for determining the fairness and reasonableness of the Final Offer Price of HK$2.95 per share in 21 Holdings as it is merely a product of the share price fluctuation of 21 Holdings and it is capable of reversal or being recovered.

In addition to the consideration of HK$286,016,958 for the 95,900,000 shares in 21 Holdings, the remaining two components of the Consideration are based on the net assets value (excluding the amount due to shareholder) of HK$85,339 of the Target Company as at 31 March 2014 and the dollar value of the subscription price of HK$23,975,000 for the 47,950,000 Offer Shares to which the Target Company has undertaken to subscribe for pursuant to the Undertaking, in which the subscription price per Offer Share under the Open Offer is same to all the qualifying shareholders of 21 Holdings.

Based on the above, the Directors are of the view that the Consideration of HK$310,077,297 is fair and reasonable.

Conditions

Completion is conditional upon, the following conditions being fulfilled and/or waived by the Purchaser as at the date of Completion:

(a) consent of the Stock Exchange in connection with the transactions contemplated by the S&P Agreement having been obtained;

(b) the Independent Shareholders having approved at the SGM of the transactions contemplated by the S&P Agreement;

(c) the warranties given by the Vendor under the S&P Agreement remaining true and accurate in all material respects; and

(d) the acquisition of the 95,900,000 shares in 21 Holdings by the Target Company having been completed in all respects.

If any of the above conditions have not been satisfied (or, as the case may be, waived by the Purchaser) on or before 5:00 p.m. on the Long Stop Date, the S&P Agreement shall cease and determine and none of the parties shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

The Purchaser shall be entitled in its absolute discretion to waive condition (c) above.

Save for condition (d) above, none of the above conditions has been fulfilled as at the Latest Practicable Date.

Completion

Completion shall take place on the date falling three Business Days after the satisfaction and/or waiver of the last conditions precedent in the S&P Agreement or such other date as the Vendor and the Purchaser may agree in writing.

C. INFORMATION ON THE TARGET COMPANY

The Target Company was incorporated in the British Virgin Islands with limited liability on 23 October 2009. The principal activity of the Target Company is investment holding.

As at the Latest Practicable Date, the major assets of the Target Company are the 143,850,000 shares in 21 Holdings, representing approximately 24.92% of the issued share capital of 21 Holdings, and the Sale Loan amounted to HK$355,244,886.

According to the unaudited management accounts of the Target Company for the period from 1 January 2014 to 31 March 2014, the net liabilities of the Target Company as at 31 March 2014 was HK$45,167,589. The profit before and after taxation for the period were both HK$1.20.

Please refer to Appendix II to this Circular for the financial information of the Target Company.

D. INFORMATION ON 21 HOLDINGS

21 Holdings is a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange under stock code: 1003. 21 Holdings is an investment holding company and its subsidiaries are principally engaged in the provision of property agency and related services, and securities trading and investments.

The audited consolidated financial results and positions of 21 Holdings and its subsidiaries for the years ended 31 December 2013 and 2012 are summarised as follows:

	For the year ended 31 December 2013	For the year ended 31 December 2012
	HK$'000	*HK$'000*
Continuing operations		
Revenue	**98,763**	112,711
Profit/(loss) before tax from continuing operations	**27,762**	(64,462)
Income tax credit	**8,552**	8,801
Profit/(loss) for the year from continuing operations	**36,314**	(55,661)
Discontinued operation		
Loss for the year from discontinued operation	**(1,120)**	(1,398)
Profit/(loss) for the year	**35,194**	(57,059)

	As at 31 December 2013	As at 31 December 2012
	HK$'000	*HK$'000*
Non-current assets	**18,731**	74,286
Current assets	**246,798**	227,235
Current liabilities	**(57,846)**	(138,524)
Non-current liabilities	**—**	(8,514)
Net assets	**207,683**	154,483

Please refer to Appendix III for the financial information of 21 Holdings.

E. REASONS AND BENEFITS FOR THE ENTERING INTO OF THE S&P AGREEMENT

The Company is an investment holding company and its subsidiaries are principally engaged in distribution of films, sub-licensing of film rights, sale of financial assets and money lending.

As the Group disposed of all its investment properties in the financial year ended 31 December 2013, the Directors have cautiously identified suitable investment opportunities for the Group to diversify its businesses, broaden its revenue and/or improve its profitability. Given land is a scarce resource in Hong Kong and housing is a basic necessity, the Directors consider that the Acquisition presents an opportunity for the Group to invest in the business of property agency and related services, which is a predictable, simple and understandable business model.

The principal activities of 21 Holdings' subsidiaries are provision of property agency and related services. The Directors consider that the provision of property agency and related services fulfills the above criteria of "a predictable, simple and understandable business model" because:

(a) this business does not require any technical knowhow, technology or a large capital outlay, but merely involves a middleman service for matching buyers and sellers (simple and understandable);

(b) the data of land and housing supply and housing demand is regularly published by Hong Kong Government (predictable); and

(c) the major factors affecting the housing market, such as economic growth, unemployment, interest rates, consumer confidence, mortgage availability and housing supply, are easily available on market (predictable).

The Directors consider that the property agency business is a suitable investment opportunity for the Company and 21 Holdings is the optimal investment target on the following grounds:

(a) the property agency business is a predictable, simple and understandable business model;

(b) housing (both sale and leasing) in Hong Kong is a basic necessity and demand for housing remains strong in the foreseeable future due to the expected growth in the population size of Hong Kong, the trend of increasing number of households and shrinking household size and the increase in number of marriages and divorces;

(c) as the Company will become the single largest substantial shareholder of 21 Holdings holding approximately 24.92% of the issued share capital of 21 Holdings, the Company will effectively play a significant influential role over the operational and strategic decision-making processes of 21 Holdings, which has a cash and bank balance of HK$120,238,000 as at 31 December 2013 and a well-developed property agency network throughout Hong Kong; and

(d) the listing stature of 21 Holdings has all the advantages of a listed company which enable the Company to develop and expand into new business in future.

The Directors believe that property agency industry is driven by the housing demand in Hong Kong, whereas the housing supply plays a role in driving the property prices up and down, which in turn influences the housing policy in Hong Kong. According to Hong Kong Government's forecast, the population of Hong Kong is expected to grow from 7,100,000 in 2011 to 8,200,000 in 2031, and further to 8,500,000 in 2041. In other words, Hong Kong's population is estimated to grow by 20% between 2011 and 2041. This forecast reveals the potential housing demand in the years ahead, although actual demand in a particular year may depend on factors such as economic conditions and affordability of individual home buyers.

The trend of increasing number of households and shrinking household size generate additional demand for housing. According to a study (the "**Study**") on housing demand in Hong Kong (http://www.legco.gov.hk/yr12-13/english/sec/library/1213in14-e.pdf) conducted by the Research Office of Legislative Council

Secretariat, the number of households increased from 2,050,000 in 2001 to 2,370,000 in 2011, representing an increase of about 31,500 households per year. Such a trend is expected to sustain into the coming years with the number of households projecting to increase further to 2,660,000 in 2021. In addition, the average number of members per household has registered a continuous decrease in the past decades. The average household size reduced from 3.9 persons in 1981 to 2.9 persons in 2011. It is forecasted to remain at a low of 2.8 persons in 2021. Factors contributing to shrinking household size include the preference of married couples to form their own families and to have fewer children, and the prevalence of more elderly persons/couples living on their own.

Newly married couples are traditionally a major source of housing demand. According to the Study, the number of marriages registered increased from 32,825 in 2001 to 58,369 in 2011. Same as marriages, divorce has a major influence on the number of household and, by extension, the housing demand. A married couple only needs one flat when living together. Once divorced, they may need two flats even if each flat is smaller than the flat they previously lived in, thereby generating a net demand for housing. The number of divorce decrees granted has been on a rising trend, increasing steadily from 13,425 in 2001 to 19,597 in 2011.

In response to the severe supply-demand imbalance for housing, Hong Kong Government has introduced various demand-side management measures since November 2010 to cool home buying frenzy and to curb property prices. Such measures have effectively suppressed property sales transactions and discouraged speculative and investment demand for properties. With Hong Kong Government fully committed to increasing the land supply, property developers have speeded up new launches/re-launches of first-hand residential projects and offered attractive prices and cash rebate on Buyer's Stamp Duty and Double Stamp Duty, the sales transactions for the primary market remained strong during the second quarter of 2014. Following the adjustment to Double Stamp Duty for second-home buyers in May 2014, home buyers' sentiment has improved and, according to the Land Registry, the sales transactions rose to 16,011 in the second quarter of 2014, a 37% increase from 10,788 in the first quarter of 2014. As such, the Directors believe that the underlying demand from end-users and home upgraders is strong and such demand is sustainable.

The Directors believe that the demand-side management measures only defer home buying plans, but not eliminate housing demand. The Directors also believe that the demand-side management measures will be gradually relaxed or abandoned as new housing supply increases in coming years and, upon the abandon of the demand-side management measures, the sales transactions for the primary and secondary markets will return to its normal level.

Prior to the relaxation or abandon of the demand-side management measures, the sales transactions for the secondary market remain low. In view of the increase in land supply, property developers work closely with property agencies in launching/re-launching first-hand residential projects. Therefore, the contraction in sales transactions for the secondary market will be partly compensated by the primary market. This is evidenced by the significant increase in turnover of 21 Holdings in the six months ended 30 June 2014. In the six months ended 30 June 2014, the property agency business of 21 Holdings reported a turnover of HK$96,637,000, a 253% increase as compared to the previous period. Such increase is attributable to the increase in property agency and related services provided for the new launches/re-launches of first-hand residential projects in Hong Kong.

Since the introduction of the demand-side management measures in November 2010, the earnings/loss before interest, taxes, depreciation and amortization ("**EBITDA**"/"**LBITDA**") of the property agency segment of 21 Holdings, according to the annual reports for the three years ended 31 December 2011, 2012 and 2013 and the interim results announcement for the six months ended 30 June 2014 of 21 Holdings are as follows:

	Hong Kong Property *HK$'000*	**The PRC Property** *HK$'000*
For the year ended 31 December 2011	592	(7,804)
For the year ended 31 December 2012	4,074	(7,367)
For the year ended 31 December 2013	(1,385)	(13,825)
For the six months ended 30 June 2014	3,515	(1,393)

In view of the persistent loss incurred by the PRC property agency division and the property curbs in the PRC cities launched by the PRC Government, 21 Holdings entered into an arrangement with two independent third parties for contracting the property agency and property project consultancy operations in Guangdong, the PRC for a period of five years commencing from 1 July 2013. Under the arrangement, 21 Holdings is entitled to receive 2% of the total revenue of the Guangdong operations. Such arrangement enables 21 Holdings to unload a substantial portion of its fixed operation cost and to concentrate its resources on its Hong Kong operations in response to the enhancement to Special Stamp Duty and the introduction of Buyer's Stamp Duty in October 2012. As a result, 21 Holdings is aiming to achieve a breakeven EBITDA of Hong Kong and the PRC property agency divisions in the year ending 31 December 2014. The management team of 21 Holdings' property agency business will continue to monitor cautiously the business environment and strengthen the business foundation by implementing stringent cost control.

Based on the above, the Directors are positive on the outlook for 21 Holdings' property agency business and the property agency industry in Hong Kong.

Currently, the Company has no intention to increase its shareholding in 21 Holdings to or exceeding 30.00%.

Although the Company has no intention to become the controlling shareholder (as defined in the Listing Rules) of 21 Holdings, the Company is able to effectively exercise the significant influence over 21 Holdings as discussed in the sub-section headed "Consideration" on pages 11 to 17 of this circular. This is evidenced by, following the appointments of Mr. Lei Hong Wai, the Chairman of the Board and an executive Director, and the Vendor as executive directors of 21 Holdings on 10 April 2014, 21 Holdings is expanding into a new business, namely provision of mortgage financing. This expansion reflects the new management of 21 Holdings taking advantage of its existing property agency network, which has over 100 branches (including franchisees) with more than 300 property agents in Hong Kong, to build up a diverse and sizeable base of customers for the newly expanded provision of mortgage financing business for improving the profitability of 21 Holdings. In addition, the new management has also taken advantage of the listing stature of 21 Holdings by conducting two fund raising activities, namely the Placing and the Open Offer, raising HK$142,200,000 for the newly expanded business. The fund raising activities were completed in the second quarter of 2014.

Other than recruiting experienced personnel and designing internal control procedures, the plan for 21 Holdings expanding into the mortgage financing business will involve the following:

(a) Raising the necessary working capital for the mortgage financing business

21 Holdings conducted two fund raising activities in the second quarter of 2014 raising HK$142,200,000. Together with the cash and bank balances of HK$120,238,000 as at 31 December 2013, 21 Holdings has a maximum of HK$262,438,000 available for its mortgage financing business.

(b) Obtaining a Money Lender License

As advised, 21 Holdings is in the process of applying for a Money Lender License with the relevant authorities in Hong Kong.

Given that (i) the mortgage financing business is a predictable, simple and understandable business, which only involves lending money to customers with properties as security and (ii) the Group has engaged in money lending business since January 2012, the Directors are of view that it is feasible for 21 Holdings expanding into the mortgage financing business.

On 8 September 2011, 21 Group Limited, a wholly owned subsidiary of 21 Holdings, as vendor entered into a sale and purchase agreement with Emperor Garden Group Limited, a company incorporated in the British Virgin Islands with limited liability, as purchaser relating to the sale and purchase of the entire issued share capital of and the shareholder's loan due by 21 Finance Limited ("**21 Finance**") at a consideration of HK$50,000. 21 Finance is a company incorporated in Hong Kong with limited liability engaging in money lending business in Hong Kong.

As advised by the management team of 21 Holdings' property agency business, the shareholders of Emperor Garden Group Limited are (i) certain franchisees, who are third parties independent of and not connected with any directors, chief executive or substantial shareholders of 21 Holdings or its subsidiaries or any of their respective associates, of Century 21 Hong Kong Limited, a wholly owned subsidiary of 21 Holdings and (ii) these franchisees are licensed real estate agencies in Hong Kong.

Following the disposal of the entire issued share capital of and the shareholder's loan due by 21 Finance, 21 Holdings has entered into a marketing co-operation arrangement with 21 Finance for allowing 21 Finance to use the website of 21 Holdings (century21-hk.com) for marketing and promoting its money lending business in Hong Kong.

Save and except for (i) 21 Group Limited receiving a monthly fee of HK$1,000 from 21 Finance for it to carry on its business using the logo of "21" and (ii) the marketing co-operation arrangement between 21 Holdings and 21 Finance, there is no business dealing between 21 Finance and 21 Holdings and its subsidiaries.

As at the Latest Practicable Date, 21 Holdings is still in the process of applying for a Money Lender License with the relevant authorities in Hong Kong and has not yet commenced its mortgage financing business.

According to the monthly residential mortgage survey published by Hong Kong Monetary Authority, the value of new mortgage loans approved in 2013 amounted to HK$195,999,000,000. The cash and bank balances of 21 Holdings as at 31 December 2013 adjusted for the net proceeds from the Placing and the Open Offer amounted to HK$262,438,000. On the basis of the entire adjusted cash and bank balances of 21 Holdings had been loaned to its customers, 21 Holdings would have captured a market share of approximately 0.13% in the mortgage financing market in 2013. It is expected that the target customers of 21 Holdings are individual and corporate customers. Given the size of loans vary from customer to customer, the expected size of customers cannot be projected at this stage. The type of mortgage for the newly mortgage financing business of 21 Holdings is first and subordinate mortgages for residential, commercial and industrial properties. Following expanding into the provision of mortgage financing, 21 Holdings will examine other areas of money lending business, such as loans and personal loans etc. for further expansion.

At the beginning, it was intended that the property agency network of 21 Holdings would be the marketing arm of the Group's money lending business, in which 21 Holdings referred its customers to the Group for mortgage loans in property sale transactions. Due to the payment of referral fees to 21 Holdings by the Group for the aforesaid referral services constituting a continuing connected transaction according to Chapter 14A of the Listing Rules and 21 Holdings having sufficient internal resources following the completion of the fund raising exercises in the second quarter of 2014, it is decided that the provision of mortgage financing should be carried out by 21 Holdings itself.

Based on the above, the Directors consider that the Acquisition presents a suitable investment opportunity to the Group to improve its profitability, which is in line with the Group's strategy. Accordingly, the Directors are of the view that the S&P Agreement is entered into on normal commercial terms after arm's length negotiation and the terms of the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

F. FINANCIAL EFFECTS OF THE ACQUISITION

As at the Latest Practicable Date, the underlying assets of the Target Company are the 143,850,000 shares in 21 Holdings, representing approximately 24.92% of its entire issued share capital. After Completion, the Company will be interested in the 143,850,000 shares in 21 Holdings through the Target Company. 21 Holdings will become an associate (as defined under HKAS 28 *Investments in Associates*) and the financial results of 21 Holdings will be accounted for by the Company using equity method of accounting in accordance with HKAS 28 *Investments in Associates*.

The financial effects of the Acquisition are set out in Appendix IV to this circular. Please refer to the Appendix IV to this circular for the unaudited pro forma financial information of the Enlarged Group and the basis of preparation thereof.

(1) Effect on earnings

The Group recorded an audited consolidated profit for the year attributable to owners of the Company of approximately HK$97,238,000 for the year ended 31 December 2013.

Based on the unaudited pro forma financial information as set out in the Appendix IV to this circular, if the Acquisition had taken place on 1 January 2013, the Enlarged Group would have reported an unaudited pro forma consolidated loss attributable to owners of the Company of approximately HK$137,276,000 for the year ended 31 December 2013.

The reporting of an unaudited pro forma consolidated loss attributable to owners of the Company by the Enlarged Group is attributable to the impairment loss recognised in respect of the interests in associates relating to 21 Holdings of HK$242,179,000. The impairment loss represents the difference between the recoverable amount of investment in 21 Holdings of HK$76,672,000 and the sum of the cost of investment in 21 Holdings of HK$309,992,000, the share of results of 21 Holdings of HK$8,770,000 for the year ended 31 December 2013 and the share of other comprehensive income of 21 Holdings of HK$89,000 for the year ended 31 December 2013.

As mentioned on pages 16 to 17 in the sub-section headed "Consideration" of this circular, the Estimated Impairment Loss which approximates to the impairment loss is merely a product of the share price fluctuation of 21 Holdings and it is capable of reversal or being recovered. The Directors consider that the reporting of an unaudited pro forma consolidated loss attributable to owners of the Company of HK$137,276,000 by the Enlarged Group is acceptable.

(2) Effect on total assets

As at 31 December 2013, the audited consolidated total assets of the Group amounted to approximately HK$1,851,699,000.

Based on the unaudited pro forma financial information as set out in Appendix IV to this circular, if the Acquisition had been completed on 31 December 2013, the unaudited pro forma total assets value of the Enlarged Group as at 31 December 2013 would have been approximately HK$1,618,379,000. The decrease in total assets is attributable to the impairment loss recognised in respect of the interests in associates relating to 21 Holdings of HK$233,320,000.

(3) Effect on total liabilities

As at 31 December 2013, the audited consolidated total liabilities of the Group amounted to approximately HK$26,330,000.

Based on the unaudited pro forma financial information as set out in Appendix IV to this circular, if the Acquisition had been completed on 31 December 2013, the total liabilities of the Enlarged Group as at 31 December 2013 would have been approximately HK$27,430,000. The increase in total liabilities is attributable to the accrual of the estimated professional fees and expenses of HK$1,100,000 for the Acquisition.

G. APPROVAL BY THE BOARD

Given the Vendor is an executive Director and a substantial Shareholder and has a material interest in the Acquisition, the Vendor and his associates, Mr. Lei Hong Wai, the Chairman of the Board and an executive Director, and Mr. Cheung Kwok Wai, Elton, an executive Director and a brother of the Vendor, abstained from voting on the relevant resolutions to approve the S&P Agreement and the transactions contemplated thereunder at the meeting of the Board held on 1 April 2014.

H. LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. As the Vendor is a connected person of the Company, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to, among other things, the approval of the Independent Shareholders at the SGM. As at the Latest Practicable Date, the Vendor is an executive Director and a substantial Shareholder by virtue of his 25% indirect shareholding interest in Twin Success. As at the Latest Practicable Date, Twin Success, which is owned as to 50% by Mr. Lei Hong Wai, the Chairman of the Board and an executive Director, as to 25% by Mr. Cheung Kwok Wai, Elton, an executive Director, and as to 25% by the Vendor, beneficially owns 105,708,000 Shares, representing approximately 19.30% of the issued share capital of the Company. In addition, the Vendor and Mr. Cheung Kwok Wai, Elton, an executive Director, are brothers. As such, the Vendor is a connected person of the Company.

The Vendor and his associates are required to abstain from voting for the resolution approving the S&P Agreement and the transactions contemplated thereunder. Save as above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder has a material interest in the Acquisition. Accordingly, save for the Vendor and his associates, no other Shareholder is required to abstain from voting for the resolution to approve the S&P Agreement and the transactions contemplated thereunder at the SGM.

I. SGM

Set out on pages SGM-1 to SGM-2 of this circular is a notice convening the SGM to be held at Macau Jockey Club, 1/F Function Room, 1st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Friday, 10 October 2014 at 10:00 a.m. at which ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, approve the S&P Agreement and the transactions contemplated thereunder. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A form of proxy of the SGM is enclosed with this circular. Whether or not you are able to attend and vote at the SGM, you are requested to complete and return the same to the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon 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 the form of proxy will not preclude you from attending and voting at SGM or any adjournment thereof if you so wish.

J. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 31 to 36 of this circular and the letter from Independent Financial Adviser on pages 37 to 64 of this circular which contains their advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the S&P Agreement and the transactions contemplated under the S&P Agreement as well as the principal factors and reasons taken into consideration in arriving at their advice.

Having taken into account of the advice of the Independent Financial Adviser, the Independent Board Committee considers that the S&P Agreement is entered into upon normal commercial terms following arm's length negotiations between the parties thereto, and that the terms of the S&P Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition 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 resolution to be proposed at the SGM to approve the S&P Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors who have expressed their views on the transactions contemplated under the S&P Agreement in this circular after receiving advice from Donvex Capital) consider that the terms of the S&P Agreement and the transactions contemplated thereunder, are fair and reasonable and the entering into of the S&P Agreement are in the interest of the Company and the Shareholders as a whole, and accordingly, recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the S&P Agreement and the transactions contemplated thereunder.

Warning Statement

Shareholders and potential investors should note that the Acquisition is conditional upon fulfilment of the conditions precedent of the S&P Agreement, details of which have been set out under the paragraph headed "Conditions" of this circular. Accordingly, the Acquisition may or may not proceed.

K. ADDITIONAL INFORMATION

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

The English text of this circular, the notice of the SGM and the form of proxy for use at the SGM shall prevail over the Chinese text in case of inconsistency.

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

ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

23 September 2014

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THOUGHT DIAMOND INTERNATIONAL LIMITED AND THE SALE LOAN

We refer to the circular dated 23 September 2014 issued by the Company (the "**Circular**"), of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee to consider the terms of the S&P Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the terms of the S&P Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to recommend how the Independent Shareholders should vote at the SGM. Donvex Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of advice from Donvex Capital, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 37 to 64 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 5 to 30 to the Circular and the additional information set out in the appendices of the Circular.

In concluding the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole, we have particularly taken the following factors into consideration:

(a) The consideration of HK$286,016,958 for the 95,900,000 shares in 21 Holdings

As stated in the Letter from the Board, the negotiations commenced on 28 March 2014 and the agreement on the Final Offer Price of HK$2.95 per share in 21 Holdings was reached between the Company and the investors on 31 March 2014. The Final Offer Price of HK$2.95 represents a premium of 75.60% over the closing price of 21 Holdings on 31 March 2014. The Letter from the Board also states the significant influence premium for the Company to becoming the single largest substantial shareholder of 21 Holdings and the implicit value of the listing stature of 21 Holdings and these two items cannot be quantified at any point of time unless a genuine sale and purchase materalised, which implies there is no universal set of formulas/methods to quantify/determine them. Given that (i) the Company has confirmed that each of the Company, the Directors and Twin Success does not have any relationship with nine out of 12 investors; (ii) both of Mr. Lei Hong Wai and Mr. Cheung Kwok Wai, Elton, who first contemplated the acquisition of the 95,900,000 shares in 21 Holdings, are executive Directors and substantial Shareholders and have material interests in the Company and (iii) under Common Law and Equity, the Directors owe fiduciary duties to the Company and are required to act bona fide in what they consider to be the interests of the Company, we reasonably believe that the Final Offer Price of HK$2.95 per share in 21 Holdings was arrived at after arm's length negotiation between the Company (through its lawyers) and the investors (through Success Securities Limited) on a "willing buyer – willing seller" basis and the Final Offer Price of HK$2.95 per share in 21 Holdings is fair and reasonable.

During the period from 7 April 2014, being the date of announcing the Acquisition, to the Latest Practicable Date, the shares of 21 Holdings were traded at a price range of HK$0.60 to HK$1.865 (before adjustment to the Open Offer), which is below the Final Offer Price of HK$2.95, we consider that it is mainly attributable to (i) 21 Holdings not yet having commenced its mortgage financing business and (ii) the profitability of the newly expanded mortgage financing business has yet not been reflected in the financial statements of 21 Holdings.

(b) The loss making position of 21 Holdings before the reversal of loss on litigation for the year ended 31 December 2013

21 Holdings reported a consolidated loss before the reversal of loss on litigation of HK$51,306,000 for the year ended 31 December 2013. We concur with the view as stated in the section headed "Letter from the Board" in this circular that the Hong Kong Government's demand curb measures is one of the major factors causing the property agency segment to report loss. We believe that, if 21 Holdings was in a profit making position, the valuation on the shares in 21 Holdings would be higher than the closing price of HK$1.68 per share (before adjustment to the Open Offer) on 31 March 2014 and the investors would definitely ask for a higher selling price per share (including the significant influence premium for the Company to becoming the single largest substantial shareholder of 21 Holdings and the implicit value of the listing stature of 21 Holdings) than the Final Offer Price of HK$2.95 per share. We consider that the loss making position of 21 Holdings associated with the Hong Kong Government's demand curb measures present an opportunity to the Group to invest in and become the single largest substantial shareholder of 21 Holdings.

We believe that investment strategy is not only "buy low – sell high", but also an investor shall have the ability to increase the valuation of an investment by improving its profitability. With 21 Holdings, the most valuable asset is its property agency network in Hong Kong, but the property agency network only generates one-off commission income from matching property sale transactions between buyers and sellers and it has not been fully utilised. We believe that, in addition to the one-off commission income, 21 Holdings needs a sizable recurring income in order to improve its profitability. As a mortgage loan usually lasts for many years, we believe that the newly expanded mortgage financing business will generate a sizable recurring interest income to 21 Holdings and accordingly improve the profitability of 21 Holdings.

Having reviewed the business section of the prospectus and the annual reports of Hong Kong Finance Group Limited (stock code: 1273) and Oi Wah Pawnshop Credit Holdings Limited (stock code: 1319), both of them are finance companies listed on the Stock Exchange engaging in the mortgage financing business in Hong Kong, we notice that these companies do not have their own property agency networks. We also notice that these companies develop their mortgage loan business and expand their mortgage loans portfolio by (i) increasing and enhancing their marketing activities, such as direct mailing, billboards and advertisements on newspapers, the Internet, radio and television; (ii) working closely with loan brokers and referral agents for bringing in more customers and (iii) increasing contact with property agents for bringing in more customers. As such, we believe that, with its own existing property agency network as marketing and promotion arm, 21 Holdings shall have an advantage in expanding into the mortgage financing business.

(c) The commencement of newly expanded mortgage financing business of 21 Holdings

According to the laws of Hong Kong, 21 Holdings is required to obtain a Money Lender License under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) for carrying the provision of mortgage financing business. As advised by Mr. Lei Hong Wai and the Vendor, both of them are executive directors of 21 Holdings, 21 Holdings is in the process of applying for a Money Lender License with the relevant authorities in Hong Kong and recruiting experienced personnel who are proficient in handling mortgage loan transactions. Given that Mr. Lei Hong Wai has practical experience in managing and operating money lender company and the operation of mortgage financing business does not requires any technical knowhow and technology, we do not foresee any hindrance to the commencement of newly expanded mortgage financing business of 21 Holdings.

(d) The existing market share represented by 21 Holdings in the property agency market

21 Holdings does not maintain any information on its market share in the property agency market. As 21 Holdings has its own property agency network as the marketing and promotion arm of its newly expanded mortgage financing business, we believe that 21 Holdings has an advantage over other finance companies engaged in the same line of business.

(e) The expected market share represented by 21 Holdings in the mortgage financing market in Hong Kong

As 21 Holdings is a small and medium company listed on the Main Board of the Stock Exchange with a market capitalisation of HK$813,766,000 as at the Latest Practicable Date and there is a lot of banks and finance companies engaging in the mortgage financing business in Hong Kong, we believe that the expected market share to be captured by 21 Holdings is minimal. In addition, it appears that 21 Holdings shall fund the newly expanded mortgage financing business by its internal resources and its internal resources are limited. We believe that the management of 21 Holdings shall give priority to build up a recurring income to 21 Holdings through the expansion into the mortgage financing business, rather than to capture a significant market share in the mortgage financing market.

(f) The risks, competition and prospects of the mortgage financing industry in Hong Kong

We have identified the following risks factors for the newly expanded mortgage financing business of 21 Holdings:

(i) the value or the residual value of the pledged property may not be sufficient to the full repayment of the loans;

(ii) the subordinate mortgage loans are subject to higher-ranked mortgages and therefore have higher credit risk than the first mortgage loans;

(iii) implementation of Buyers' Stamp Duty, Special Stamp Duty and Double Stamp Duty by Hong Kong Government in the property market may affect 21 Holdings' loan-to-value ratios;

(iv) competition from other players in the money lending industry (including banks) may affect 21 Holdings' business performance; and

(v) changes in laws and rules applicable to the money lending industry may affect 21 Holdings' business operation and its financial performance.

Most of these risks factors are systemic risks and beyond the control of 21 Holdings. As the mortgage financing business has not yet been commenced, we have been advised that the designing internal control procedures, such as mortgage loan approval procedures which involve (i) information collection such as identity of potential customer, potential amount of mortgage loan and particulars of the property to be mortgaged; (ii) preliminary approval based on property information collected; (iii) customer interview; (iv) credit assessment and (v) final approval, is one of the actions in 21 Holdings' business plan for expanding into the mortgage financing business. Therefore, we reasonably believe that a set of internal control procedures is properly in place to manage the credit and market risks upon the commencement of the mortgage financing business.

In addition, unlike other finance companies, 21 Holdings does not rely on borrowings from banks to finance its mortgage financing business. 21 Holdings is not subject to such risks as the erosion of net interest margin resulted from increase in interest costs and the reduction in working capital if banks request early loan repayment and tighten their lending policy.

According to the prospectus of Hong Kong Finance Group Limited (stock code: 1273), a finance company listed on the Stock Exchange engaging in the mortgage financing business in Hong Kong, issued in September 2013, Euromonitor International gave a positive prospect for the licensed money lending industry from 2013 to 2017. The outstanding balance of loans and advances of licensed money lenders is thus expected to continue its strong growth albeit at a slightly lower compound annual growth rate of 12.60% compared to the historical period. In addition, as stated in the section headed "Letter from the Board" in this circular, housing (both sale and leasing) in Hong Kong is a basic necessity and demand for housing remains strong in the foreseeable future due to the expected growth in the population size of Hong Kong, the trend of increasing number of households and shrinking household size and the increase in number of marriages and divorces. We reasonably believe that the prospect of the mortgage financing industry is promising.

Although we believe that the competition in the mortgage financing business is keen, there are advantages for 21 Holdings in engaging this business as 21 Holdings has its own property agency network as the marketing and promotion arm for building up its customers base and 21 Holdings does not rely on borrowings from other party to finance its mortgage financing business.

Having taken into account of the above factors and the advice of Donvex Capital, we consider that the terms of the S&P Agreement are entered into upon normal commercial terms following arm's length negotiations between the parties thereto, and that the terms of the S&P Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the S&P Agreement and the transactions contemplated thereunder.

Yours faithfully,
the Independent Board Committee

Mr. Wan Shing Chi	**Mr. Ng Heung Yan**	**Mr. Wong Tak Chuen**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

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.

Donvex Capital Limited
富域資本有限公司

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

23 September 2014

The Independent Board Committee and the Independent Shareholders of
Eternity Investment Limited

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the S&P Agreement and the transactions contemplated, details of which are set out in the letter from the Board contained in the circular of the Company dated 23 September 2014 to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used herein have the same meanings as defined elsewhere in the Circular unless the context require otherwise.

On 1 April 2014, the Purchaser and the Vendor entered into the S&P Agreement, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to dispose of (i) the Sale Capital, representing the entire issued share capital of the Target Company; and (ii) the Sale Loan, representing all the interests, benefits and rights of and in the interest-free shareholder's loan owed by the Target Company to the Vendor on Completion, which as at 31 March 2014, amounted to HK$45,252,928.

On 25 April 2014, the Purchaser and the Vendor entered into the Deed of Variation 1, pursuant to which the Purchaser and the Vendor mutually agreed to amend the terms of the S&P Agreement in light of the Open Offer and the Undertaking.

On 19 September 2014, the Purchaser and the Vendor entered into the Deed of Variation 2 pursuant to which the parties mutually agreed to extend the Long Stop Date from 30 September 2014 to 31 October 2014.

On 28 March 2014, the Company as purchaser entered into negotiations with various investors as vendors through a securities brokerage firm for the sale and purchase of in aggregate 95,900,000 shares in 21 Holdings, representing approximately 29.90% of its then entire issued share capital. During the course of negotiations, the securities brokerage firm indicated to the Company that the investors requested the completion of the sale and purchase of 95,900,000 shares in 21 Holdings to take place immediately after the agreement of the selling price per share in 21 Holdings. As the acquisition of 95,900,000 shares in 21 Holdings constitutes a notifiable transaction of the Company under the Listing Rules, a lengthy process will be required to comply with the announcement, reporting and shareholders' approval requirements of the Listing Rules. The Company has, therefore, requested the Vendor to procure the Target Company to enter into bought and sold notes with the investors on 1 April 2014, being the date of the S&P Agreement, for acquiring the 95,900,000 shares in 21 Holdings at a total consideration of HK$286,016,958 and, in turn, entering into the S&P Agreement with the Purchaser for selling the Sale Capital and the Sale Loan to the Group at the same consideration of HK$286,016,958 plus the net assets (excluding the amount due to the shareholder) of the Target Company as at 31 March 2014 in order to facilitate the sale and purchase of the 95,900,000 shares in 21 Holdings.

The Vendor is Mr. Cheung Kwok Fan, an executive Director and a substantial Shareholder by virtue of his 25% indirect shareholding interest in Twin Success. As at the date of the S&P Agreement and the Latest Practicable Date, Twin Success, which is owned as to 50% by Mr. Lei Hong Wai, the Chairman of the Board and an executive Director, as to 25% by Mr. Cheung Kwok Wai, Elton, an executive Director, and as to 25% by the Vendor, beneficially owns 105,708,000 Shares, representing approximately 19.30% of the issued share capital of the Company. In addition, the Vendor and Mr. Cheung Kwok Wai, Elton, an executive Director, are brothers. As such, the Vendor is a connected person of the Company.

The Vendor and his associates are required to abstain from voting for the resolution approving the S&P Agreement and the transactions contemplated thereunder. Save as above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder has a material interest in the Acquisition. Accordingly, save for the Vendor and his associates, no other Shareholder is required to abstain from voting for the resolution to approve the S&P Agreement and the transactions contemplated thereunder at the SGM.

Mr. Wan Shing Chi, Mr. Ng Heung Yan and Mr. Wong Tak Chuen, the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on the S&P Agreement and the transactions contemplated thereunder are (i) on normal commercial terms; (ii) in the ordinary and usual course of business of the Group; (iii) fair and reasonable as far as the Independent Shareholders are concerned; and (iv) in the interests of the Company and the Shareholders as a whole; and to advise the Independent Shareholders as to whether to vote in favor of the relevant resolution(s) to approve the S&P Agreement and the transactions contemplated thereunder. Being the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

BASIS OF OUR OPINION

In formulating our opinion, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information, statements, opinion and representations contained or referred to in this Circular and all information and representations which have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so at the date hereof. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the letter from the Board contained in this Circular were reasonable made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in this Circular.

The Company confirmed that it has provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in this Circular so as to provide a reasonable basis of our opinion. We have no reason to suspect that any material facts or information, which is known to the Company, have been omitted or withheld from the information supplied or opinions expressed in this Circular nor to doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, carried out any independent verification on the information provided to us by the Directors, nor have we conducted any form of independent in-depth investigation into business and affairs of the prospects of the Company, the Vendor or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons:

1. Background of the Group

The Group is engaged in distribution of films, sub-licensing of film rights, sale of financial assets, property investment and money lending. Set out below is a summary of the Group's operating results and financial position extracted from the Company's latest published annual report:

	For the year ended 31 December	
	2013	**2012**
	HK$'000	*HK$'000*
Segment revenue		
— Distribution of films	—	—
— Property Investment	3,402	5,930
— Sale of financial assets	(1,710)	649
— Provision of management services	512	51,078
— Money lending	24,101	9,785
	26,305	67,442
Segment profit / (loss) for the year		
— Distribution of films	(35)	(53)
— Property Investment	(21,277)	170,225
— Sale of financial assets	35,850	(6,041)
— Provision of management services	(3,319)	12,747
— Money lending	23,093	9,637
	34,312	186,515
Profit for the year attributable to		
— Owners of the Company	97,238	206,259
— Non-controlling interests	(1)	(1)
	97,237	206,258

As shown in the above table, for the year ended 31 December 2013, the Group recorded revenue of approximately HK$26.31 million, representing a decrease of approximately 61.00% from approximately HK$67.44 million for the previous year. The decrease in turnover was mainly attributable to the termination of management services agreement with a licensed gaming promoter in Macau. However, the decrease of profit for the year attributable to owners of the Company from approximately HK$206.26 million to approximately HK$97.24 million was mainly attributable to the absence of the gain arising on change in fair value of the Kwun Tong Properties of HK$168.00 million recorded for the year ended 31 December 2012. The Kwun Tong Properties were disposed of in July 2013.

The table below summarizes the consolidated financial position of the Group as at 31 December 2012 and 2013.

	As at 31 December	
	2013	**2012**
	HK$'000	*HK$'000*
Non-current assets	678,856	524,053
— Investment properties	—	21,940
Current assets	1,172,843	1,079,559
— Cash and cash equivalents	662,153	297,967
Total assets	1,851,699	1,603,612
Non-current liabilities	231	2,332
Current liabilities	26,099	79,328
	26,330	81,660
Total equity attributable to		
— Owners of the Company	1,825,372	1,521,954
— Non-controlling interests	(3)	(2)
	1,825,369	1,521,952

As set out in the table above, the Group's audited consolidated net assets were approximately HK$1,825.37 million and the Group did not hold any investment properties as at 31 December 2013. The cash and cash equivalents as at 31 December 2013 is sufficient to satisfy the cash consideration of approximately HK$310.08 million for the Acquisition as mentioned below.

2. The S&P Agreement

Introduction

On 1 April 2014, the Purchaser and the Vendor entered into the S&P Agreement, pursuant to which the Purchaser has agreed to acquire, and the Vendor has agreed to dispose of the Sale Capital and the Sale Loan, subject to the terms and conditions of the S&P Agreement. On 25 April 2014, the Purchaser and the Vendor entered into the Deed of Variation 1, pursuant to which the Purchaser and the Vendor mutually agreed to amend the terms of the S&P Agreement in light of the Open Offer and the Undertaking. On 19 September 2014, the Purchaser and the Vendor entered into the Deed of Variation 2, pursuant to which the Purchaser and the Vendor mutually agreed to extend the Long Stop Date from 30 September 2014 to 31 October 2014.

(a) Assets to be acquired

The Sale Capital represents the entire issued share capital of the Target Company.

The Sale Loan represents all the interests, benefits and rights of and in the interest-free shareholder's loan owed by the Target Company to the Vendor on Completion, which as at 31 March 2014, amounted to HK$45,252,928.

As at the date of the S&P Agreement, the major assets of the Target Company were the 95,900,000 shares in 21 Holdings, representing approximately 29.90% of the then issued share capital of 21 Holdings.

On 16 June 2014, the Open Offer was completed. As the Latest Practicable Date, the major assets of the Target Company are the 143,850,000 shares in 21 Holdings, representing approximately 24.92% of the entire issued share capital of 21 Holdings as enlarged by the allotment and issue of 192,379,617 Offer Shares.

(b) Payment Mechanism of the Acquisition

The Consideration of HK$310,077,297 shall be payable as follows:

(i) paying a refundable deposit of HK$286,016,958 (the "**First Deposit**") by the Purchaser to the Vendor (or his nominee) upon the signing of the S&P Agreement;

(ii) paying a further refundable deposit of HK$23,975,000 (the "**Further Deposit**" together with the First Deposit, collectively (the "**Deposit**")) by the Purchaser to 21 Holdings on or before the latest date for acceptance of the Offer Shares as specified by 21 Holdings (or such later date as 21 Holding and the Underwriter may agree); and

(iii) paying the balance of the Consideration of HK$85,339 to the Vendor by the Purchaser at Completion.

In the event of the Open Offer being terminated or does not become unconditional, the Further Deposit shall be immediately returned to the Purchaser without interest.

The Deposit shall be immediately returned to the Purchaser without interest if any of the conditions necessary for the Completion have not been satisfied (or, as the case may be, waived by the Purchaser).

As at the Latest Practicable Date, the Deposit of HK$309,991,958 have been paid.

(c) Conditions

Completion is conditional upon, the following conditions being fulfilled and/or waived by the Purchaser as at the date of Completion:

(i) consent of the Stock Exchange in connection with the transactions contemplated by the S&P Agreement having been obtained;

(ii) the Independent Shareholders having approved at the SGM of the transactions contemplated by the S&P Agreement;

(iii) the warranties given by the Vendor under the S&P Agreement remaining true and accurate in all material respects; and

(iv) the acquisition of the 95,900,000 shares in 21 Holdings by the Target Company having been completed in all respects.

If any of the above conditions have not been satisfied (or, as the case may be, waived by the Purchaser) on or before 5:00 p.m. on the Long Stop Date, the S&P Agreement shall cease and determine and none of the parties shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

The Purchaser shall be entitled in its absolute discretion to waive condition (iii) above.

Save for condition (iv) above, none of the above conditions has been fulfilled as at the Latest Practicable Date.

(d) Completion

Completion shall take place on the date falling three Business Days after the satisfaction and/or waiver of the last conditions precedent in the S&P Agreement or such other date as the Vendor and the Purchaser may agree in writing.

3. Information of the Target Company

The Target Company was incorporated in the British Virgin Islands with limited liability on 23 October 2009. The principal activity of the Target Company is investment holding.

As at the Latest Practicable Date, the major assets of the Target Company are the 143,850,000 shares in 21 Holdings, representing approximately 24.92% of the issued share capital of 21 Holdings, and the Sale Loan amounted to HK$355,244,886.

According to the unaudited management accounts of the Target Company for the period from 1 January 2014 to 31 March 2014, the net liabilities of the Target Company as at 31 March 2014 were HK$45,167,589. The profit before and after taxation for the period were both HK$1.20.

Please refer to Appendix II for the financial information of the Target Company.

4. Information of 21 Holdings

21 Holdings is a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange under stock code: 1003. 21 Holdings is an investment holding company and its subsidiaries are principally engaged in the provision of property agency and related services in Hong Kong and the People Republic of China ("**PRC**"), and securities trading and investments.

Set out below is a summary of the Group's operating results and financial position extracted from 21 Holdings' latest published annual report:

	For the year ended 31 December	
	2013	**2012**
	HK$'000	*HK$'000*
Segment revenue		
— Property agency in Hong Kong	94,693	100,726
— Property agency in the PRC	4,070	11,985
— Securities trading and investments	—	—
	98,763	112,711
Segment profit / (loss) for the year		
— Property agency in Hong Kong	(22,814)	(6,340)
— Property agency in the PRC	(40,293)	(64,667)
— Securities trading and investments	7,095	12,880
	(56,012)	(58,127)
Profit for the year attributable to		
— Owners of the company	36,001	(56,402)
— Non-controlling interests	(448)	(559)
	35,553	(56,961)

As shown in the above table, during the year ended 31 December 2013, 21 Holdings recorded revenue of approximately HK$98.76 million, representing a decrease of approximately 12.38% from approximately HK$112.71 million for the previous year. The decrease in turnover was mainly attributable to (i) the adverse effect on the business of the property agency from the limited liquidity in the Hong Kong property market; and (ii) the curbs and cooling measures subsisting in the PRC property market since 2011. 21 Holdings recorded a profit for the year attributable to owners of the company of approximately HK$36.00 million for the year ended 31 December 2013, as compared to a net loss for the year attributable to owners of the company of approximately HK$56.40 million for the corresponding period in 2012. The increase in the profit for the year attributable to owners of 21 Holdings was mainly due to investment and other income and reversal of provision for losses on litigation.

The table below summarizes the consolidated financial position of 21 Holdings as at 31 December 2012 and 2013.

	As at 31 December	
	2013	**2012**
	HK$'000	*HK$'000*
Non-current assets	18,731	74,286
Current assets	246,798	227,235
— Cash and cash equivalents	120,238	180,112
Total assets	265,529	301,521
Non-current liabilities	—	8,514
Current liabilities	57,846	138,524
	57,846	147,038
Total equity attributable to		
— Owners of the Company	207,683	159,734
— Non-controlling interests	—	(5,251)
	207,683	154,483

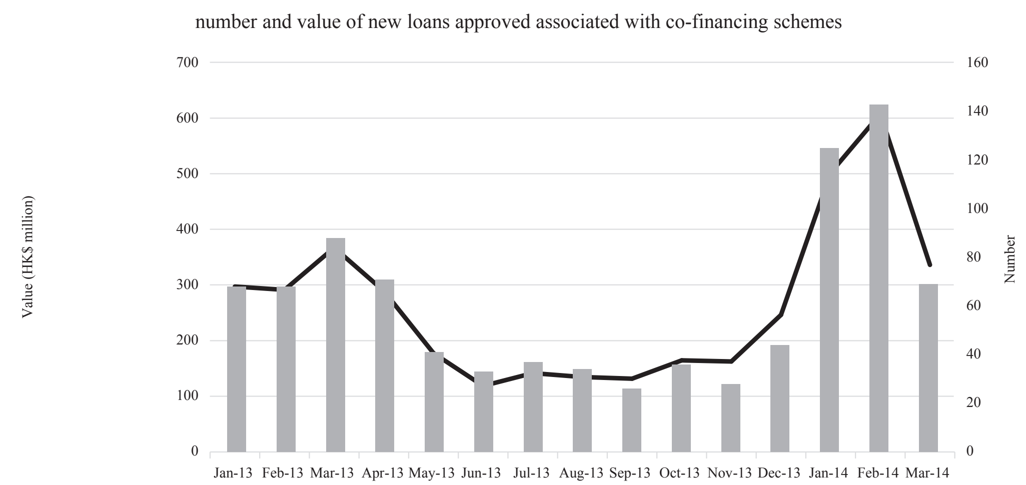
As set out in the table above, 21 Holdings' audited consolidated net assets were approximately HK$207.68 million as at 31 December 2013.

Please refer to Appendix III for the financial information of 21 Holdings.

5. Outlook of the mortgage financing business in Hong Kong

As stated in the announcement dated 25 April 2014 issued by 21 Holdings, 21 Holdings will raise additional capital to expand into a new business, namely the provision of mortgage financing, through the Open Offer and the placing of new shares under general mandate. We have considered some additional relevant economic indicators to review the outlook of the mortgage financing business in Hong Kong.

According to the statistics published by Hong Kong Monetary Authority ("**HKMA**") (www.hkma.gov.hk), the chart below summarizes the monthly number and value of new residential mortgage approved associated with co-financing schemes in Hong Kong during the period from January 2013 to March 2014:



	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
- Number	68	68	88	71	41	33	37	34	26	36	28	44	125	143	69
- Value (HK$ million)	298	292	368	290	178	119	142	135	132	165	163	247	503	609	337

As set out in the charts above, after the implementation of suppressing measures regulating Hong Kong property market in October 2012 and February 2013, the monthly number and value of new residential mortgage approved associated with co-financing schemes increased since the first quarter of 2014.

We have performed research on the listed issuers (excluding banking companies) in Hong Kong which are engaged in the mortgage financing business in Hong Kong. It is confirmed that those listed companies with mortgage financing business in Hong Kong recorded a growth in the mortgage financing business. It is reasonable to expect that the demand of mortgage financing in Hong Kong increases in view of the above statistic and the performance results of those listed companies in Hong Kong.

In addition, market is of the view that the interest rate in the United States could start to rise in early 2015, after the Federal Reserve halts its monthly bond-buying programme. The interest rate in Hong Kong will probably follow to increase in such circumstance. The mortgage financing business will be benefited from it.

In the light of the increasing demand of mortgage financing in Hong Kong and the expectation of increasing interest rate thereafter, we are of the view that it is a reasonable timing to enter into the mortgage financing business.

6. Reasons for and benefits of the Acquisition

The Company is an investment holding company and its subsidiaries are principally engaged in distribution of films, sub-licensing of film rights, sale of financial assets, property investment and money lending.

We had enquired the Director and the management of the Company about their basis on the selection criteria and process of the Acquisition. As the Group disposed of all its investment properties in the financial year ended 31 December 2013, the Directors have cautiously identified suitable investment opportunities for the Group to diversify its businesses, broaden its revenue and / or improve its profitability. Given land is a scarce resource in Hong Kong and housing (both sale and leasing) is a basic necessity, the Company intends to enter into the property agency business by exploring different investment opportunities. The Directors notice that opportunities come when various investors holding in aggregate of 95,900,000 shares in 21 Holdings, representing approximately 29.90% of the then entire issued share capital of 21 Holdings, would dispose of their shareholding interests of 21 Holdings in the market.

As stated in the section under “Information of 21 Holdings”, 21 Holdings is a listed issuer on the Main Board of the Stock Exchange. The provision of property agency and related services (both residential and commercial) of 21 Holdings in Hong Kong were conducted by Century 21 (HK) Group Limited and its subsidiaries. Due to the fact that (i) some of the major property agency service providers, such as Centaline Property Agency Limited and Ricacorp Properties Limited are not listed issuers in Hong Kong; and (ii) there are numerous small sized property agency service providers in Hong Kong, 21 Holdings does not maintain any information on its market share in the property agency market.

During the process of evaluating the comprehensiveness of the service network of 21 Holdings, we had identified four major property agency services providers in Hong Kong, namely Midland Holdings Limited, Centaline Property Agency Limited, Ricacorp Properties Limited (subsidiary of Centaline Property Agency Limited) and Hong Kong Property Services (Agency) Limited (subsidiary of Midland Holdings Limited), amongst which Midland Holdings Limited is a listed issuer in the Main Board of the Stock Exchange. From their respective company’s website, their number of branch in Hong Kong ranged from over 50 to over 300. Meanwhile, 21 Holdings has over 100 branches (including franchisees) with more than 300 property agents in Hong Kong. As such, we are of the view that the service network of 21 Holdings is comprehensive through the comparison.

The Company has also performed research and is aware that 21 Holdings had no substantial or controlling shareholder (as defined in the Listing Rules). In the event that the Company is able to acquire a substantial shareholding interest in 21 Holdings, the Directors are of the view that the Company could become the single largest substantial shareholder of 21 Holdings and exercise a significant influence over the operational and strategic decision-making processes of 21 Holdings, which has a cash and bank balance of HK$120,238,000 as at 31 December 2013 according to the annual report of 21 Holdings for the year ended 31 December 2013 and a well-developed property agency network throughout Hong Kong.

Having considered that (i) 21 Holdings has a comprehensive service network with over 100 branches (including franchisees) including more than 300 property agents in Hong Kong; (ii) the Company will be the largest substantial shareholder of 21 Holdings, which is a listed issuer on the Main Board of the Stock Exchange, upon Completion; (iii) the Company could utilize the listing stature of 21 Holdings, the Directors are of the view that 21 Holdings has its competitive advantage in the property agency market and the Directors consider that the Acquisition presents an opportunity for the Group to invest in the business of property agency and related services, which is a predictable, simple and understandable business model with good prospects.

However, the acquisition of 95,900,000 shares in 21 Holdings requires a lengthy process to comply with announcement, reporting and shareholders' approval requirements of the Listing Rules. The Company has, therefore, requested the Vendor to procure the Target Company to enter into bought and sold notes with various investors on 1 April 2014 for acquiring the 95,900,000 shares in 21 Holdings and, in turn, entering into the S&P Agreement with the Purchaser.

Furthermore, 21 Holdings had raised additional capital to expand into the provision of mortgage financing business through the Open Offer and the placing of new shares under general mandate as announced by 21 Holdings on 25 April 2014. 21 Holdings intended to provide first and subordinate mortgages of residential, commercial and industrial properties to individual and corporate customers. As such the expansion into the provision of mortgage financing business of 21 Holdings could improve the Company's profitability upon the Completion of the Acquisition due to the following factors:

(a) As one of the principal businesses of the Company is money lending, the Company has previously participated in some cases of mortgage financing.

Based on those experiences, the Company notices that the demands of mortgage financing business in Hong Kong is increasing due to the following factors: (i) co-financing request as a result of the under-estimation of property value from financial institutions; and (ii) provision of an alternative way to cash-out the property in order to fulfill different needs of the property owners, such as liquidity for business usage or repayment of personal debts.

(b) The Directors are of the view that by leveraging the expertise of the Company's existing money lending business, 21 Holdings, which has over 100 branches (including franchisees) with more than 300 property agents in Hong Kong, could utilize its existing property agency network to build up a diverse and sizeable base of customers for the newly expanded provision of mortgage financing business in an effective and efficient manner. Besides, the target customers of 21 Holdings' mortgage financing business will also include all property owners who are looking for cash-out refinancing services.

As stated in the section under "E. Reasons and Benefits for the Entering Into of the S&P Agreement" of the "LETTER FROM THE BOARD" in the Circular, 21 Holdings would have captured a market share of approximately 0.13% in the mortgage financing market in 2013 on the basis of the entire adjusted cash and bank balances of 21 Holdings (i.e. approximately HK$262.4 million) had been loaned to its customers. In view of (i) various banks and financial institutes are engaging in the mortgage financing business in Hong Kong; and (ii) 21 Holdings shall fund the mortgage financing business by its internal resources, which are limited, the expected market share to be captured by 21 Holdings would be minimal. However, as the demand of the mortgage financing business in Hong Kong is increasing as stated in the section under "Outlook of the mortgage financing business in Hong Kong", we are of the view that the mortgage financing business of 21 Holdings will still be able to enjoy a growth, even it may not be able to capture a significant market share as at the current stage. Besides, following expanding into the provision of mortgage financing, 21 Holdings will examine other areas of money lending business, such as loans and personal loans, etc. for further expansion.

We noted that in the website of 21 Holdings (www.century21-hk.com) contains a financial services business link (www.21finance.hk), which was provided by 21 Finance Limited ("**21 Finance**"). We had then enquired the Company in relation to the information of 21 Finance.

The Company confirmed that 21 Finance is a company incorporated in Hong Kong with limited liability engaging in money lending business in Hong Kong and the entire issued share capital of 21 Finance had been sold to Emperor Garden Group Limited in 2011. The shareholders of Emperor Garden Group Limited are (i) certain franchisees, who are third parties independent of and not connected with any directors, chief executive or substantial shareholders of 21 Holdings or its subsidiaries or any of their respective associates, of Century 21 Hong Kong Limited, a wholly owned subsidiary of 21 Holdings and (ii) these franchisees are licensed real estate agencies in Hong Kong.

Following the disposal, 21 Holdings has entered into a marketing co-operation arrangement with 21 Finance for allowing 21 Finance to use the website of 21 Holdings for marketing and promoting its money lending business in Hong Kong.

Save and except for (i) 21 Group Limited receiving a monthly fee of HK$1,000 from 21 Finance for it to carry on its business using the logo of "21"; and (ii) the marketing co-operation arrangement between 21 Holdings and 21 Finance, there is no business dealing between 21 Finance and 21 Holdings and its subsidiaries. The operating results and financial position of 21 Finance Limited, including but not limited to revenue, profit and loss, liabilities, have no direct relationship with 21 Holdings.

As at the Latest Practicable Date, 21 Holdings is still in the process of applying for a Money Lender License with the relevant authorities in Hong Kong and has not yet commenced its mortgage financing business. As such, we are of the view that the share price of 21 Holdings has not yet reflected the market expectations on the new business as at the current stage.

Based on the fact that in the course of identifying suitable investment opportunities for the Group:

(i) The Directors had studied the housing demand and supply structure in Hong Kong before the decision of investing in property agency services business. Based on the statistical data of, including but not limited to the population growth rates, the changes in household size, the number of marriages registered and divorce decrees granted, the number of property transactions, etc. in Hong Kong, the Directors are of the view that the persistence of housing demand in Hong Kong will continue to contribute the business of property agency services and it would be an opportunity to invest in this business;

(ii) The Directors had studied the market capitalization of 21 Holdings before the decision of the Acquisition. The Directors are of the view that through the Acquisition, the Company will become the single largest substantial shareholder of 21 Holdings and effectively exercise a significant influence over the operational and strategic decision-making processes of 21 Holdings. With the listing statues of 21 Holdings, the Company will also be benefited from the liquidity and ready marketability of 21 Holdings' shares; and

(iii) The Directors had reviewed the services networks of 21 Holdings before the decision of the Acquisition. Based on the expertise in money lending business, the Directors are of the view that the comprehensive network of 21 Holdings would be an advantage for the expansion of mortgage financing business. By utilizing the existing services network of 21 Holdings, it would build up a diverse and sizeable base of customers for the newly expanded provision of mortgage financing business.

We are of the view that the Directors have taken enough actions to ensure the Acquisition is justifiable.

Following Completion, the Group will become the single largest substantial shareholder of 21 Holdings. The Directors confirmed that they will retain the interests in 21 Holdings as an investment and have no intention to increase its shareholding in 21 Holdings to or exceeding 30.00% currently.

The Company also considered that as 21 Holdings is a listed issuer in the Main Board of the Stock Exchange, the Group's investment can be realized easier in future from the liquidity and ready marketability of 21 Holdings' shares as compared to private companies.

In regard of the disposal of the shares of private companies, it would be time consuming process (i) to identify potential purchasers; and (ii) to determine the consideration as there is no public recognized benchmark for the trading price of the shares of private companies. In contrast, the Company would be able to dispose of any shares of 21 Holdings through the open market anytime at its discretion.

In view of the above factors, we are of the view that it would be relatively easier to dispose of the shares of 21 Holdings as compared to private companies given its daily trading volume is relatively small as compared to those actively traded listed issuers in the Stock Exchange.

Having considered that (i) the Company could be benefited from becoming the single largest substantial shareholder of 21 Holdings and effectively exercise a significant influence over the operational and strategic decision-making processes of 21 Holdings through the Acquisition; (ii) the Acquisition would be considered as an opportunity for the Group to invest in the business of property agency and related services; (iii) acquiring a mature property agency business will provide more flexibility and efficiency rather than buy and hold properties for investment; (iv) the existing property agency network of 21 Holdings can be utilized to expand the provision of mortgage financing business; (v) the broadened income sources of 21 Holdings from the provision of mortgage financing business is beneficial to the Company and its Shareholders; (vi) the listing stature of 21 Holdings provides an ability to raise additional capital for developing its business through various routes; and (vii) the Group's investment can be realized easier in future from the liquidity and ready marketability of 21 Holdings' shares, we are of the view that the Acquisition will benefit the Shareholders as the Acquisition could diversify the business of the Company, and improve its profitability.

7. Bases for the Consideration

The Consideration of HK$310,077,297 consists of three components, which are:

(a) the acquisition cost of 95,900,000 shares in 21 Holdings by the Target Company which was completed on 1 April 2014;

(b) the net assets (excluding the amount due to shareholder) of the Target Company as at 31 March 2014; and

(c) the subscription price of HK$23,975,000 for the 47,950,000 Offer Shares to which the Target Company has undertaken to subscribe for pursuant to the Undertaking.

The acquisition cost of HK$286,016,958 for the 95,900,000 shares in 21 Holdings, which represents the consideration of HK$282,905,000 paid for the 95,900,000 shares in 21 Holdings at the Final Offer Price of HK$2.95 per share, the stamp duty of HK$282,908 and the commission of HK$2,829,050 paid to Success Securities Limited, was arrived at after arm's length negotiations between the Company and the investors on a "willing buyer – willing seller" basis. In assessing the fairness and reasonable of the acquisition cost of HK$286,016,958, we consider the following factors:

Review of negotiation process of the acquisition cost

As stated in the section under "A. Introduction" of the "LETTER FROM THE BOARD" in the Circular, during the course of negotiation with the investors as vendor through Success Securities Limited on 28 March 2014, The initial offer price was contemplated at HK$2.00 per share in 21 Holdings by the Company, which was determined by the Company with reference to the closing price of share in 21 Holdings of HK$1.60 on 28 March 2014 plus a 25% premium.

We had enquired the Company about their basis on determining the initial premium of 25% to be paid per share of 21 Holdings. The Company expressed that such premium represents the significant influence premium for the Company to becoming the single largest substantial shareholder of 21 Holdings and the implicit value of the listing status of 21 Holdings. As such, the Company is of the view that it would not be appropriate to apply any quantitative method to justify the initial premium of 25% as obtaining a significant influence premium for the Company to becoming the single largest substantial shareholder of 21 Holdings would help the Company to integrate into the business strategy of 21 Holdings through appointment of the directorship of 21 Holdings. We concur with the view of the Company and agree that it is fair and reasonable for obtaining the significant influence premium for the Company to becoming the single largest substantial shareholder of 21 Holdings by paying the premium of 25%.

However, this was rejected by Success Securities Limited at the instructions of the investors. The offer price was finally prima facie acceptable to all of the investors when the offer price was revised to HK$2.95 per share in 21 Holdings.

We had enquired the Company and about the fairness and reasonableness of the decision of the acquisition cost. The Company confirmed that they were gradually revising the acquisition cost to HK$2.50 and HK$2.80 per share in 21 Holdings during the negotiation and requested for a better offer price. However, the Company was informed that an acceptable offer price would be around HK$3.00 per share in 21 Holdings. Having considered that the Company can become the single largest substantial shareholder of 21 Holdings and effectively exercise a significant influence over the business activities of 21 Holdings and the listing stature of 21 Holdings, the Directors are of the view that the Company will be benefited from the Acquisition. Thus the Company and the investors finally confirmed the acquisition cost at HK$2.95 per share in 21 Holdings. On 31 March 2014, a formal offer letter was issued by the Company's lawyer to Success Securities Limited. The Directors also confirmed that, amongst the 12 investors involved, in which, there are three companies and nine individuals, they are not certain the identities of the shareholders of the three companies and have no relationship with the nine individuals.

Based on the above, it is reasonable to conclude that the acquisition cost of HK$286,016,958 for the 95,900,000 shares in 21 Holdings was arrived at after arm's length negotiations between the Company and the investors on a "willing buyer – willing seller" basis.

Review of historical trading volume

We reviewed the daily trading volume of the shares of 21 Holdings as quoted on the Stock Exchange from 3 January 2013 to 25 April 2014 (the "**Share Volume Review Period**"). We noted that the average daily trading volume of the shares of 21 Holdings is approximately 1.43% of its entire issued share capital during the Share Volume Review Period. We are of the view that directly acquiring 95,900,000 shares in 21 Holdings, representing approximately 29.9% of the entire issued share capital of 21 Holdings as at the date of the S&P Agreement, from the equity market would be a lengthy process and increase the volatility of the share price of 21 Holdings which will lead to uncertainty of the total consideration. We are of the view that it is in the interests of the Company and Shareholders as a whole considering Company will be able to avoid the above situations by simply acquiring 95,900,000 shares in 21 Holdings through the Acquisition.

Having considered that (i) the relatively small daily trading volume of 21 Holdings in the equity market during the Share Volume Review Period; (ii) the Group will not be able to become the single largest substantial shareholder of 21 Holdings within a short period of time without making the Acquisition; and (iii) the Company will be able to avoid the impacts from the adverse market reactions by entering into the Acquisition, we are of the view that acquiring the shares of 21 Holdings through the Acquisition presents an opportunity for the Group to become the single largest substantial shareholder of 21 Holdings by a single transaction, which is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Review of the premium of the acquisition cost over the trading price of the shares of 21 Holdings

Based on the acquisition cost of HK$286,016,958 for the 95,900,000 shares in 21 Holdings, the average acquisition price would be approximately HK$2.98 per share (the "**Average Acquisition Price**"). We noted that the closing price of the shares of 21 Holdings were HK$1.69 and HK$0.99 as quoted on the Stock Exchange as at the date of the S&P Agreement on 1 April 2014 and the Deed of Variation 1 on 25 April 2014 respectively ("**Corresponding Trading Prices**"). Hence, there is premium of the Average Acquisition Price over the Corresponding Trading Prices.

The premium on the Acquisition will regarded as goodwill and will be further treated as impairment loss to the consolidated income statement of the Enlarged Group in accordance with HKAS 28 Investments in Associates.

We are of the view the benefits of the Acquisition would outweigh the impairment loss arising from the Acquisition, in view of the below factors:

(i) the Acquisition presents an opportunity for the Group to invest in the property agency and mortgage financing business with good prospects as stated in the section under "Reasons for and benefits of the Acquisition";

(ii) as announced by 21 Holdings on 10 April 2014, Mr. Lei Hong Wai, the Chairman of the Board and an executive Director, and Mr. Cheung Kwok Fan, an executive Director, had been appointed as executive directors of 21 Holdings. Mr. Lei Hong Wai had also been appointed as the chairman of the board of 21 Holdings.

After enquiring with the Company, it is confirmed that the expansion into the provision of mortgage financing business of 21 Holdings was proposed by Mr. Lei Hong Wai and Mr. Cheung Kwok Fan based on their experience in properties investment and money lending business. The board of 21 Holdings agreed with the proposal after accessing the benefit of the expansion.

As such, it is reasonable to conclude that, with the same entitlement of certain board members of the Company and 21 Holdings, the Company can involve in formulating the business strategy of 21 Holdings and expand 21 Holdings' mortgage financing business by leveraging on the expertise of the Company as stated in the section under "Reasons for and benefits of the Acquisition", despite the fact that the Company has no majority control over the 21 Holdings' board;

(iii) the Company will be benefited from becoming the single largest substantial shareholder of 21 Holdings and effectively exercise a significant influence over the operational and strategic decision-making processes of 21 Holdings as stated in the section under "Reasons for and benefits of the Acquisition"; and

(iv) the goodwill represented the implicit value of the significant influencing interest of 21 Holdings and listing statute of 21 Holdings, which was unable to be quantified at any point of time, and will be capable of reversal or being recovered as stated in the section under "Financial Effect of the Acquisition".

As such, we are of the view that the existence of impairment loss arising from the Acquisition, is fair and reasonable and the potential prospect of the Acquisition will outweigh the corresponding premium.

Evaluation of the acquisition cost for the 95,900,000 shares in 21 Holdings

As the Company targets to diversify its businesses and broaden its revenue and / or profitability through the Acquisition, we are of the view that earnings will be a suitable factor in accessing the fairness of the acquisition cost for the 95,900,000 shares in 21 Holdings. We have thus performed an analysis on the price-to-earnings ratio (the "**P/E ratio**") of comparable companies listed on the Stock Exchange. To the best of our knowledge, we have identified an exhaustive list of eight listed issuers on the Main Board of the Stock Exchange (the "**Peer Comparables**"), based on the following criteria: either having (i) similar principal activities as 21 Holdings including the provision of property agency or related services in Hong Kong or the PRC; or (ii) principal activities including the provision of mortgage financing in Hong Kong which the Group proposed to enter into, based on their respective latest published annual reports.

In accessing the consideration of the Acquisition, we had not included other valuation methodology but perform an analysis solely on the P/E ratio of comparable companies listed on the Stock Exchange after considering the following:

(i) Cost approach is not appropriate to access the value of the shares of 21 Holdings as the cost approach is unable to justify the fair value of, amongst other, the goodwill, the comprehensive network, the competency of labor cost, etc of 21 Holdings;

(ii) Income approach is not appropriate in this case because it relies heavily on financial estimation and cash flow projection of 21 Holdings. Certain important assumptions of 21 Holdings, such as future cash flows, discount rates and perpetuity rates, are not readily available for the Company;

(iii) The price-to-net asset value ratio is not appropriate given that both property agency services and mortgage financing services businesses do not consume much assets in conducting business; and

(iv) There are limitations in obtaining the operating results and financial position of private property agency services and mortgage financing services providers.

As such, we are of the view that the exhaustive list of the eight Peer Comparables is sufficient and representative to form through the below comparison.

We set out below our review and analysis on the P/E ratio of the Peer Comparables:

Company Name	Stock Code	Market capitalization *(HK$ million)* *(Note 1)*	Total revenue *(HK$ million)* *(Note 2)*	P/E ratio *(approximately)* *(Note 3)*	Net profit (attributable to the owners of the company) margin *(Note 4)*	Gearing ratio *(Note 5)*	Principal business *(Note 6)*
The Hong Kong Building and Loan Agency Limited	145	413.20	47.05	Loss making	Loss making	81.25%	Investment holding, treasury investments and the provision of loan financing
Richfield Group Holdings Limited	183	800.06	100.44	Loss making	Loss making	74.41%	Provision of property brokerage services, provision of schemes for property consolidation, assembly and redevelopment, property trading and property development
Fortune Sun (China) Holdings Limited	352	176.41	44.08	Loss making	Loss making	76.40%	Providing property consultancy and sales agency services for the primary property market in the PRC
Midland IC&I Limited	459	630.20	562.51	25.31	4.43%	80.17%	Provision of property agency services in respect of commercial and industrial properties and shops in Hong Kong
Hopefluent Group Holdings Limited	733	1,299.63	2,350.53	6.01	9.19%	70.46%	Provides comprehensive real estate agency services mainly in Guangzhou as well as various area of the Guangdong province and other cities such as Tianjin in the PRC

Company Name	Stock Code	Market capitalization *(HK$ million)* *(Note 1)*	Total revenue *(HK$ million)* *(Note 2)*	P/E ratio *(approximately)* *(Note 3)*	Net profit (attributable to the owners of the company) margin *(Note 4)*	Gearing ratio *(Note 5)*	Principal business *(Note 6)*
Midland Holdings Limited	1200	2,477.26	3,343.97	Loss making	Loss making	40.87%	Provision of property agency services in Hong Kong, the PRC and Macau
Hong Kong Finance Group Limited	1273	348.60	66.42	9.73	53.92%	52.95%	Money lending business of providing property mortgage loans to corporate and individual customers
Oi Wah Pawnshop Credit Holdings Limited	1319	657.00	71.74	28.94	31.65%	70.71%	Granting of pawn loans and mortgage loans in Hong Kong
Average		850.29	823.34	17.50	24.80%	68.40%	
Maximum		2,477.26	3,343.97	28.94	53.92%	81.25%	
Minimum		176.41	44.08	6.01	4.43%	40.87%	
The Acquisition (as at the date of the Deed of Variation 1)		317.55	98.76	26.84 *(Note 7)*	36.09%	78.21%	provision of property agency and related services in Hong Kong and the PRC, and securities trading and investments

Notes

(1) Market capitalization is calculated as the closing price multiplied by the number of shares outstanding as at the date of the Deed of Variation 1 on 25 April 2014.

(2) Total revenue is the latest available audited consolidated annual revenue of the respective company.

(3) P/E ratio is calculated as the market capitalization of the company as at the date of the Deed of Variation 1 on 25 April 2014 divided by the latest available audited consolidated annual net profits attributable to the owners of the company.

(4) The net profit (attributable to the owners of the company) margin is referred to latest available audited consolidated annual net profits attributable to the owners of the company divided by the latest available consolidated audited annual revenue of the respective company.

(5) Gearing ratio is calculated as the latest available audited consolidated net asset value attributable to the owners of the company divided by the latest available consolidated audited total assets.

(6) The principal businesses of the Peer Comparables are based on their respective latest published annual report.

(7) The P/E ratio is calculated based on the value of the First Deposit divided by the portion of 21 Holdings entire issued share capital (i.e. 29.9%) then divided by the latest available audited consolidated annual net profits attributable to the owners of 21 Holdings.

As set out in the table above, the P/E ratio of the Peer Comparables ranges from approximately 6.01 times to 28.94 times while 4 out of 8 companies in the Peer Comparables incurred losses in their latest available audited consolidated annual net profits attributable to the owners of the company. The P/E ratio of the Acquisition is 26.84 times as at the date of the Deed of Variation 1. As such, it falls within the range of the Peer Comparables.

However, we noted that the property agency segment of 21 Holdings would be in a loss position for the year ended 31 December 2013 as part of its comprehensive income for the year ended 31 December was contributed by a reversal of provision for losses on litigation amounted to approximately HK$86.5 million.

Although 21 Holdings would record a loss after the adjustment for non-recurring items for the year ended 31 December 2013, we are of the view that the acquisition cost of HK$286,016,958 is fair and reasonable after taking into account that:

(i) the Company will become the single largest substantial shareholder of 21 Holdings through the Acquisition;

(ii) the services network of 21 Holdings is comprehensive as compared to other property agency services providers; and

(iii) the future prospect of the mortgage financing business as stated in the section under “Outlook of the mortgage financing business in Hong Kong”,

Having considered that the net assets value (excluding the amount due to the shareholder) of the Target Company equals to HK$85,339 as at 31 March 2014 according to its unaudited management accounts, we are of the view that the second component of the Consideration is fair and reasonable.

Having considered that (i) the subscription price per Offer Share for all qualifying shareholders of 21 Holdings under the Open Offer are the same; and (ii) the number of the 47,950,000 Offer Shares to be subscribed for by the Target Company is in proportion to the existing shares in 21 Holdings held by all qualifying shareholders of 21 Holdings on, 24 May 2014, being the Record Date, we are of the view that the third component of the Consideration is fair and reasonable.

Based on the above, we are of the view that the Consideration of HK$310,077,297 is fair and reasonable.

8. Financial Effect of the Acquisition

As at the Latest Practicable Date, the underlying assets of the Target Company are the 143,850,000 shares in 21 Holdings, representing approximately 24.92% of its entire issued share capital. After Completion, the Company will be interested in the 143,850,000 shares in 21 Holdings through the Target Company. 21 Holdings will become an associate (as defined under HKAS 28 *Investments in Associates*) and the financial results of 21 Holdings will be accounted for by the Company using equity method of accounting in accordance with HKAS 28 *Investments in Associates*.

The financial effects of the Acquisition are set out in Appendix IV to this circular. Please refer to the Appendix IV to this circular for the unaudited pro forma financial information of the Enlarged Group and the basis of preparation thereof.

(a) Effect on earnings

The Group recorded an audited consolidated profit for the year attributable to owners of the Company of approximately HK$97,238,000 for the year ended 31 December 2013.

Based on the unaudited pro forma financial information as set out in Appendix IV of this Circular, if the Acquisition had taken place at 1 January 2013, the Enlarged Group would have reported an unaudited pro forma consolidated loss attributable to owners of the Company of approximately HK$137,276,000 for the year ended 31 December 2013.

The reporting of an unaudited pro forma consolidated loss attributable to owners of the Company by the Enlarged Group is attributable to the impairment loss recognized in respect of the interests in associates relating to 21 Holdings of HK$242,179,000. Such impairment loss represents the difference between the recoverable amount of investment in 21 Holdings of HK$76,672,000 and the sum of the cost of investment in 21 Holdings of HK$309,992,000, the share of results of 21 Holdings of HK$8,770,000 for the year ended 31 December 2013 and the share of other comprehensive income of 21 Holdings of HK$89,000 for the year ended 31 December 2013.

(b) Effect on total assets

As at 31 December 2013, the audited consolidated total assets of the Group amounted to approximately HK$1,851,699,000.

Based on the unaudited pro forma financial information as set out in Appendix IV to this Circular, if the Acquisition had been completed on 31 December 2013, the unaudited pro forma total assets value of the Enlarged Group as at 31 December 2013 would have been approximately HK$1,618,379,000. The decrease in total assets is attributable to the impairment loss recognized in respect of the interests in associates relating to 21 Holdings of HK$233,320,000 in accordance with HKSA 28 *Investments in Associates*.

The impairment loss recognized resulted from the goodwill arisen in the Acquisition. The goodwill arisen was the difference between the acquisition cost of 95,900,000 shares in 21 Holdings and the Enlarged Group's share of the net fair value of 21 Holdings' identifiable assets and liabilities and represented the premium of the acquisition cost over the trading price of the shares of 21 Holdings and the implicit value of the significant influencing interest of 21 Holdings and listing statute of 21 Holdings. Both the premium and the implicit value were unable to be quantified as any point of time, but exists when it is agreed between a vendor and a purchaser on a "willing buyer – willing seller" basis through an arm's length negotiation.

However, according to HKAS 36 *Impairment of Assets*, in the event that at the end of any reporting period, the share price of 21 Holdings increases, causing an increase in the recoverable amount and the recoverable amount exceeds the carrying amount of the investment in 21 Holdings in the books of the Enlarged Group, the excess will be credited to the consolidated income statement of the Enlarged Group as reversal of the impairment loss under the category of "other gains". Nevertheless, the accumulative amount of such reversal shall not exceed the amount of the initial impairment loss (i.e. HK$258,237,000).

(c) Effect on total liabilities

As at 31 December 2013, the audited consolidated total liabilities of the Group amounted to approximately HK$26,330,000.

Based on the unaudited pro forma financial information as set out in Appendix IV to this Circular, if the Acquisition had been completed on 31 December 2013, the total liabilities of the Enlarged Group as at 31 December 2013 would have been approximately HK$27,430,000. The increase in total liabilities is attributable to the accrual of the estimated professional fees and expenses of HK$1,100,000 for the Acquisition.

Shareholders should note that the aforementioned analysis are for illustrative purposes only and does not purport to represent how the financial position of the Enlarged Group will be upon Completion.

Having considered that (i) the decrease in earnings and total assets of the Enlarged Group is mainly attributable to the impairment loss which is an one-off and non-recurring in nature and is capable of reversal or being recovered; (ii) there are potential positive effects on the future profitability of the Enlarged Group having regard to the property agency business and mortgage financing business of 21 Holdings as stated in the section under "Reasons for and benefits of the Acquisition"; and (iii) no material change in the Enlarged Group's total liabilities, we consider that the potential financial effects of the Acquisition on the Group is in general acceptable and that the Acquisition is in the interest of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Having considered the above mentioned principal factors and reasons and in particular that,

— the Company will be benefited from effectively playing a significant influential role over the operational and strategic decision-making processed of 21 Holdings through the Acquisition;

— the Acquisition presents an opportunity for the Group to invest in the business of property agency and related services, which is a predictable, simple and understandable business model with good prospects;

— acquiring a mature property agency business will provide more flexibility and efficiency rather than buy and hold properties for investment;

— the existing property agency network of 21 Holdings can be utilized to expand the provision of mortgage financing business and the broadened income sources of 21 Holdings is beneficial to the Company and its Shareholders;

— the listing stature of 21 Holdings provides an ability to raise additional capital for developing its business through various routes and the Group's investment can be realized easier in future from the liquidity and ready marketability of 21 Holdings' shares;

— the Group will not be able to become the single largest substantial shareholder of 21 Holdings without making the Acquisition as the daily trading volume of 21 Holdings is relatively small in the equity market;

— the Company will be able to avoid the impact from the adverse market reaction by acquiring 95,900,000 shares in 21 Holdings through the Acquisition;

— the basis of determination of the Consideration are fair and reasonable so far as the Independent Shareholders are concerned; and

— the anticipated impairment loss in the pro forma consolidated financial statement of the Enlarged Group is one-off in nature and is capable of reversal or being recovered and no other material effect will adversely impact the financial position of the Enlarged Group resulted from the Acquisition.

We consider that the terms and conditions of the S&P Agreement and the transactions contemplate thereunder have been entered into are (i) on normal commercial terms; (ii) in the ordinary and usual course of business of the Group; (iii) fair and reasonable as far as the Independent Shareholders are concerned; and (iv) in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders, to vote in favor of the ordinary resolution to be proposed at the SGM to approve the S&P Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Doris Sy
Director

FINANCIAL INFORMATION INCORPORATED BY REFERENCE

Financial information and management discussion and analysis of the Group for each of the three years ended 31 December 2013, 2012, 2011 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.eternityinv.com.hk).

The audited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for the year ended 31 December 2013 has been set out in pages 63 to 227 and pages 7 to 27 respectively of the annual report 2013 of the Company which are incorporated by reference into this circular and are available on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the annual report 2013:

http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0423/LTN20140423897.pdf

The audited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for the year ended 31 December 2012 has been set out in pages 61 to 214 and pages 7 to 26 respectively of the annual report 2012 of the Company which are incorporated by reference into this circular and are available on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the annual report 2012:

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0402/LTN201304021974.pdf

The audited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for the year ended 31 December 2011 has been set out in pages 52 to 206 and pages 6 to 20 respectively of the annual report 2011 of the Company which are incorporated by reference into this circular and are available on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the annual report 2011:

http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0427/LTN20120427934.pdf

STATEMENT OF INDEBTEDNESS

Borrowings

At the close of business on 31 July 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had no outstanding borrowings.

Contingent Liabilities

As at the close of business on 31 July 2014, the Enlarged Group had the following material contingent liabilities:

(a) On 15 April 2010, a claim was brought by China Finance & Assets Management Limited ("**China Finance**") in the High Court Action No. 526 of 2010 against Rexdale Investment Limited ("**Rexdale**"), a wholly-owned subsidiary of the Company, for failing to pay a service fee in the sum of HK$25,000,000 to China Finance. No provision for the claim was made in the audited consolidated financial statements of the Group for the year ended 31 December 2013 as Lafe Corporation Limited has undertaken to indemnify and keep indemnified the Group against any and all losses, claims, damages, penalties, actions, demands, proceeding, judgment and costs arising from or in connection with the claim.

(b) On 20 March 2014, the Board announced that it came to the attention of the Company that a writ (the "**Writ**") of summons in High Court Action No. 9 of 2014 was issued by The Grande Holdings Limited (in liquidation), Roderick John Sutton (as joint and several provisional liquidator of The Grande Holdings Limited), Fok Hei Yu (as joint and several provisional liquidator of The Grande Holdings Limited) and 65 other companies listed as plaintiffs against 25 defendants inclusive of One Synergy.

    The action alleges, inter alia, that One Synergy is liable to the plaintiffs as a constructive trustee and/or by way of equitable compensation and/or an accounts of profits and/or restitution and/or damages as a knowing recipient and/or by reason of the knowing or dishonest assistance in the breaches of trust and/or breaches of fiduciary duties by various of the defendants and/or by reason of dealings between One Synergy and the plaintiffs otherwise being voidable (and avoided), void, unlawful or illegal, in respect of its receipt of the shares in The Grande Properties Ltd (now known as Rexdale).

The Purchaser acquired the entire issued share capital of Adelio Holdings Limited, which is the holding company of One Synergy, from Vartan Holdings Limited, an independent third party, pursuant to a sale and purchase agreement dated 25 May 2011. One Synergy acquired the entire issued share capital of Rexdale from Lafe Corporation Limited, being one of the defendants, pursuant to a sale and purchase agreement dated 31 December 2010 (the "**Agreement**"). The entire issued share capital of Rexdale was sold by The Grande (Nominees) Ltd., being one of the plaintiffs, and The Grand Limited to Lafe Corporation Limited on or about 29 June 2007. The principal assets of Rexdale were the Kwun Tong Properties. The Kwun Tong Properties was sold by Rexdale to Grand Reward Limited, an independent third party, in July 2013.

One Synergy has sought counsel opinion on the Writ and has been advised to defend the plaintiffs' claim in the said action. Counsel has advised that, based upon available evidence, there is nothing unusual in the Agreement and One Synergy would not have any express or constructive notice of the plaintiffs' alleged irregularities and/or fraudulent acts of the former directors and/or management officers of the plaintiffs and One Synergy should not be held liable to any part of the plaintiffs' claim and has good and valid defence thereto.

Commitments

As at 31 July 2014, the Enlarged Group had a total commitments of HK$355,500,000 relating to:

(a) the subscription of the second tranche of convertible notes to be issued by China Star in the principal amount of HK$300,000,000 pursuant to the conditional subscription agreement dated 21 January 2011 (as amended by the supplemental agreements dated 28 March 2011, 29 June 2012 and 31 December 2013). The subscription of the second tranche of convertible notes is conditional upon the fulfillment of the conditions precedent set out in the conditional subscription agreement, including the availability of sufficient fund by the Company;

(b) loans commitment in the aggregate principal amount of HK$18,000,000 pursuant to the building mortgages and the loan agreements entered into between the Enlarged Group and its customers; and

(c) the commitment of HK$37,500,000 relating to the subscription of 12,500,000 new shares in EDS Wellness at a subscription price of HK$3.00 per share under the open offer as announced by EDS Wellness on 25 June 2014 pursuant to the irrevocable undertaking dated 25 June 2014 given by New Cove Limited, a wholly owned subsidiary of the Company, to EDS Wellness and Kingston Securities Limited.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 July 2014, the Enlarged Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other contingent liabilities.

Save as aforesaid, the Directors confirmed that there had been no material change to the indebtedness and contingent liabilities of the Enlarged Group since 31 July 2014 and up to the Latest Practicable Date.

AN INTEREST IN THE SHARE CAPITAL OF A COMPANY ACQUIRED AFTER 31 DECEMBER 2013, BEING THE DATE TO WHICH THE LATEST PUBLISHED AUDITED CONSOLIDATED ACCOUNTS OF THE GROUP WERE MADE UP

On 2 July 2014, the Group converted HK$25,000,000 of the convertible notes in the aggregate principal amount of HK$40,000,000 issued by EDS Wellness on 25 May 2014 into 25,000,000 new shares in EDS Wellness at an initial conversion price of HK$1.00 per share. As a result of the conversion, EDS Wellness has become a 65.58% owned subsidiary of the Company.

On 22 July 2014, the Group subscribed for 12,500,000 new shares in EDS Wellness under the open offer announced by EDS Wellness on 25 June 2014 at a subscription price of HK$3.00 per share pursuant to the irrevocable undertaking dated 25 June 2014 and given by the Group in favour of EDS Wellness and the underwriter.

On 28 August 2014, EDS Wellness allotted and issued 2,620,000 new shares by way of placing of new shares under general mandate to not less than six placees and the Group's interest in EDS Wellness was diluted from 65.58% to 62.71%.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that, save and except for the reporting of an 80% decrease in its profit attributable to owners of the Company for the six months ended 30 June 2014, there was no material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest audited consolidated financial statements of the Group were made up.

WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Enlarged Group including the internally generated funds and the effect of the Acquisition, the Enlarged Group will have sufficient working capital for at least twelve months from the date of this circular.

FINANCIAL AND TRADING PROSPECTS

The financial and trading prospects of the Enlarged Group is set out on pages 131 to 133 of Appendix V of this circular.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

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

Date: 23 September 2014

The Directors
Eternity Investment Limited
Unit 3811, Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") of Thought Diamond International Limited (the "**Target Company**") for each of the years ended 31 December 2011, 2012, 2013 and three months ended 31 March 2014 (the "**Relevant Periods**") for inclusion in the circular issued by Eternity Investment Limited (the "**Company**") dated 23 September 2014 (the "**Circular**") in connection with the Company's proposed acquisition of the entire issued share capital of the Target Company (the "**Acquisition**") and the sale loan.

The Target Company is a company incorporated in the British Virgin Islands (the "**BVI**") with limited liability on 23 October 2009 and is owned as to 100% directly by Mr. Cheung Kwok Fan, an executive director and a substantial shareholder of the Company. The principal activity of the Target Company is investment holding.

No statutory financial statements have been prepared for the Target Company since its date of incorporation as it was incorporated in the BVI where there is no statutory audit requirement.

For the purpose of this report, the sole director of the Target Company has prepared the financial statements of the Target Company for the Relevant Periods (the "**Underlying Financial Statements**") in accordance with the Hong Kong Financial Reporting Standards (the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the

"**HKICPA**"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* as recommended by the HKICPA.

The Financial Information of the Target Company for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 4 of Section B below. No adjustments were considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the sole director of the Target Company who approved their issue. The sole director of the Target Company is responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Company as at 31 December 2011, 2012, 2013 and 31 March 2014 and of the results and cash flows of the Target Company for the Relevant Periods.

The comparative statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Target Company for the three months ended 31 March 2013 together with the notes thereon have been extracted from the Target Company's unaudited financial information for the same period (the "**March 2013 Financial Information**") which was prepared by the sole director of the Target Company solely for the purpose of this report. We conducted our review of the March 2013 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. Our review of the March 2013 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the March 2013 Financial Information.

Based on our review, nothing has come to our attention that causes us to believe that the March 2013 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

MATERIAL UNCERTAINTY CONCERNING GOING CONCERN BASIS OF ACCOUNTING

Without qualifying our opinion, we draw attention in note 2 of Section B to the Financial Information, which states that the Target Company incurred a net loss of approximately HK$64,105,000 and HK$5,000 for the years ended 31 December 2012 and 2013 respectively; and the Target Company's current liabilities exceeded its current assets by approximately HK$50,258,000, HK$45,163,000, HK$45,168,000 and HK$45,168,000 as at 31 December 2011, 2012, 2013 and 31 March 2014 respectively and the Target Company remained at a net liability position of HK$28,634,000, HK$45,163,000, HK$45,168,000 and HK$45,168,000 as at 31 December 2011, 2012, and 2013 and 31 March 2014 respectively. These conditions, along with other matters as set forth in note 2 of Section B to the Financial Information, indicate that existence of a material uncertainty which may cast significant doubt about the Target Company's ability to continue as a going concern.

A. FINANCIAL INFORMATION OF THE TARGET COMPANY

Statement of profit or loss

		Year ended 31 December			Three months ended 31 March	
		2011	2012	2013	2013	2014
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Turnover	*7*	—	(385)	—	—	—
Cost of sales		—	—	—	—	—
Gross loss		—	(385)	—	—	—
Investment and other income	*8*	15,901	1	—	—	—
Other gains and losses	*9*	(112)	(63,715)	—	—	—
Administrative expenses		(23)	(6)	(5)	—	—
Profit/(loss) from operations	*10*	15,766	(64,105)	(5)	—	—
Finance costs		—	—	—	—	—
Profit/(loss) before taxation		15,766	(64,105)	(5)	—	—
Income tax expense	*11*	—	—	—	—	—
Profit/(loss) for the year/period		15,766	(64,105)	(5)	—	—
Profit/(loss) for the year/period attributable to:						
Owner of the Target Company		15,766	(64,105)	(5)	—	—

The accompanying notes form an integral part of the Financial Information of the Target Company.

Statement of profit or loss and other comprehensive income

		Year ended 31 December			Three months ended 31 March	
		2011	2012	2013	2013	2014
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Profit/(loss) for the year/period		15,766	(64,105)	(5)	—	—
Other comprehensive income for the year/period, net of income tax						
Items that may be reclassified subsequently to profit or loss:						
Net loss arising on revaluation of available-for-sale financial assets	*13*	(19,398)	(16,139)	—	—	—
Reclassification adjustments relating to available-for-sale financial assets disposed of		—	63,715	—	—	—
Total comprehensive income/(loss) for the year/period		(3,632)	(16,529)	(5)	—	—
Total comprehensive income/(loss) for the year/period attributable to:						
Owner of the Target Company		(3,632)	(16,529)	(5)	—	—

The accompanying notes form an integral part of the Financial Information of the Target Company.

Statement of financial position

			At 31 December		At 31 March
		2011	**2012**	**2013**	**2014**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current asset					
Available-for sale financial assets	*13*	21,624	—	—	—
Current assets					
Financial assets at fair value through profit or loss	*14*	1,344	—	—	—
Cash and cash equivalents	*15*	15,927	985	85	85
		17,271	985	85	85
Total assets		38,895	985	85	85
EQUITY					
Capital and reserve attributable to owners of the Target Company					
Share capital	*16*	8	8	8	8
Reserve		(28,642)	(45,171)	(45,176)	(45,176)
Total equity		(28,634)	(45,163)	(45,168)	(45,168)
LIABILITIES					
Current liabilities					
Amount due to the sole shareholder	*17*	67,529	46,148	45,253	45,253
Total equity and liabilities		38,895	985	85	85
Net current liabilities		(50,258)	(45,163)	(45,168)	(45,168)
Total assets less current liabilities		(28,634)	(45,163)	(45,168)	(45,168)

The accompanying notes form an integral part of the Financial Information of the Target Company.

Statement of changes in equity

	Share capital *HK$'000*	Available-for-sale financial assets revaluation reserve *HK$'000*	Retained profits/ (accumulated losses) *HK$'000*	Total *HK$'000*
At 1 January 2011	8	(28,178)	3,168	(25,002)
Profit for the year	—	—	15,766	15,766
Other comprehensive income for the year				
Net loss arising on revaluation of available-for-sale financial assets	—	(19,398)	—	(19,398)
Total comprehensive loss for the year	—	(19,398)	15,766	(3,632)
At 31 December 2011 and 1 January 2012	8	(47,576)	18,934	(28,634)
Loss for the year	—	—	(64,105)	(64,105)
Other comprehensive income for the year				
Net loss arising on revaluation of available-for-sale financial assets	—	(16,139)	—	(16,139)
Reclassification adjustments relating to available-for-sale financial assets disposed of	—	63,715	—	63,715
Total comprehensive loss for the year	—	47,576	(64,105)	(16,529)
At 31 December 2012 and 1 January 2013	8	—	(45,171)	(45,163)
Loss for the year	—	—	(5)	(5)
Total comprehensive loss for the year	—	—	(5)	(5)
At 31 December 2013 and 1 January 2014	8	—	(45,176)	(45,168)
Loss for the period	—	—	—	—
Total comprehensive loss for the period	—	—	—	—
At 31 March 2014	8	—	(45,176)	(45,168)
At 1 January 2013	8	—	(45,171)	(45,163)
Loss for the period	—	—	—	—
Total comprehensive loss for the period	—	—	—	—
At 31 March 2013 (unaudited)	8	—	(45,171)	(45,163)

Statement of cash flows

	Year ended 31 December			Three months ended 31 March	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
OPERATING ACTIVITIES					
Profit/(loss) before taxation	15,766	(64,105)	(5)	—	—
Adjustments for:					
Interest income on bank deposits	(1)	(1)	—	—	—
Cumulative loss reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets	—	63,715	—	—	—
Operating cash flows before movement in working capital	15,765	(391)	(5)	—	—
(Increase)/decrease in financial assets at fair value through profit or loss	(1,344)	1,344	—	—	—
Increase/(decrease) in amount due to the sole shareholder	21,205	(21,381)	(895)	—	—
Net cash generated from/(used in) operating activities	35,626	(20,428)	(900)	—	—
INVESTING ACTIVITIES					
Acquisition of available-for-sale financial assets	(21,200)	—	—	—	—
Interest received	1	1	—	—	—
Proceeds from disposal of available-for-sale financial assets	—	5,485	—	—	—
Net cash (used in)/generated from investing activities	(21,199)	5,486	—	—	—
Net increase/(decrease) in cash and cash equivalents	14,427	(14,942)	(900)	—	—
Cash and cash equivalents at the beginning of year/period	1,500	15,927	985	985	85
Cash and cash equivalents at the end of year/period	15,927	985	85	985	85
Analysis of the balances of cash and cash equivalents					
Cash and bank balances	15,927	985	85	985	85

B. NOTES TO FINANCIAL INFORMATION

1. General information

The Target Company is a limited liability company incorporated in the British Virgin Islands (the "**BVI**") on 23 October 2009. The sole shareholder and sole director of the Target Company since its date of incorporation is Mr. Cheung Kwok Fan, an executive director and a substantial shareholder of the Company. The registered office of the Target Company is Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, BVI.

The principal activity of the Target Company is investment holding.

The Financial Information is presented in thousands of units of Hong Kong Dollars (HK$'000), which is the same as the functional currency of the Target Company, unless otherwise stated.

2. Basis of presentation

In preparing the Financial Information of the Target Company, the sole director of the Target Company has given careful consideration to the future liquidity and going concern of the Target Company in light of the fact that the Target Company's current liabilities exceeded its current assets by approximately HK$50,258,000, HK$45,163,000, HK$45,168,000 and HK$45,168,000 as at 31 December 2011, 2012, 2013 and 31 March 2014 respectively and the Target Company remained at a net liability position of HK$28,634,000, HK$45,163,000, HK$45,168,000 and HK$45,168,000 as at 31 December 2011, 2012, 2013 and 31 March 2014 respectively. After the completion of the Acquisition, the amount due to the sole shareholder will be sold to the Company free and clear from all encumbrances. The Company will not demand repayment of the loan until the Target Group has the financial ability to do so at least for the next twelve months from the date of this report. In the event that the Acquisition is not completed, the sole shareholder of the Target Company also agreed not to demand repayment of the amount due to the sole shareholder until the Target Company has the financial ability to do so at least for the next twelve months from the date of this report. Therefore, the sole director of the Target Company is of the opinion that it is appropriate to prepare the Financial Information on a going concern basis.

3. Application of Hong Kong Financial Reporting Standards ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Company has applied the Hong Kong Accounting Standards (the "**HKAS**"), the HKFRSs, amendments and interpretations ("**HK(IFRIC) — Int**") issued by the Hong Kong Institute of Certified Public Accountant (the "**HKICPA**"), which are effective for annual period beginning on 1 January 2014 consistently throughout the Relevant Periods.

At the date of this report, the Target Company has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
HKAS 16 and HKAS 41	Agriculture: Bearer Plant[3]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
HKFRS 9	Financial Instruments[5]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39[5]

HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[4]

1 Effective for annual periods beginning on or after 1 July 2014.
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
3 Effective for annual periods beginning on or after 1 January 2016.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2018.

The sole director of the Target Company anticipates the application of these new and revised HKFRSs will have no material impact on the Financial Information.

4. Summary of significant accounting policies

(a) Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Financial Information have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Company's accounting policies.

The Target Company's books and record are maintained in Hong Kong Dollars ("**HK$**") as the sole director of the Target Company controls and monitor the performance and financial position of the Target Company in HK$.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Target Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Target Company's activities, as described below. The Target Company bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from sale of financial assets at fair value through profit or loss is recognised when sale and purchase contracts become unconditional.

Interest income from financial asset is recognised when it is probable that the economic benefits will flow to the Target Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the excepted life of the financial asset to that asset's net carrying amount on initial recognition.

(c) Impairment of tangible assets

At the end of each reporting period, the Target Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(d) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Target Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(e) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" ("**FVTPL**"), and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

(i) it has been acquired principally for the purpose of selling it in the near term; or

(ii) on initial recognition it is part of a portfolio of identified financial instruments that the Target Company manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

(i) such designated eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Target Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(iii) it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 19.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Target Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including amount due to the sole director) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Company continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Target Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Target Company allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

(f) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include deposits held at call with banks.

(g) Related party transactions

(i) A person, or a close member of that person's family, is related to the Target Company if that person:

(1) has control or joint control over the Target Company; or

(2) has significant influence over the Target Company; or

(3) is a member of the key management personnel of the Target Company or the Target Company's parent.

(ii) An entity is related to the Target Company if any of the following conditions applies:

(1) the entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or

(2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or

(3) both entities are joint ventures of the same third party; or

(4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; or

(5) the entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the Target Company; or

(6) the entity is controlled or jointly controlled by a person identified in (i); or

(7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) Provision

Provisions are recognised when the Target Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Income taxes

The Target Company is subject to income taxes. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Target Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. Operating segments

The sole director of the Target Company considers that the sale of financial assets in Hong Kong is the sole reportable operating segment which is the basis to assess performance and allocate resources. No geographical information is presented as the Target Company's customers and operations are located in Hong Kong.

Information about major customers

No single customer of the Target Company contributed 10% or more to the Target Company's revenue during the Relevant Periods.

7. Turnover

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Sale of financial assets at fair value through profit or loss, net	—	(385)	—	—	—

An analysis of the turnover from sale of financial assets at fair value through profit or loss is recorded on a net basis. The details are as follows:

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Proceeds from sale of financial assets at fair value through profit or loss	—	960	—	—	—
Carrying amount of financial assets at fair value through profit or loss plus transaction costs	—	(1,345)	—	—	—
	—	(385)	—	—	—

8. Investment and other income

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Dividend income	15,900	—	—	—	—
Interest income on bank deposits	1	1	—	—	—
	15,901	1	—	—	—

9. Other gains and losses

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Cumulative loss reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets	—	(63,715)	—	—	—
Loss arising on change in fair value of financial assets at fair value through profit or loss	(112)	—	—	—	—
	(112)	(63,715)	—	—	—

10. Profit/(loss) from operations

Profit/(loss) from operations has been arrived at after charging:

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Auditors' remuneration	—	—	—	—	—
Directors' emoluments *(note 12)*	—	—	—	—	—

11. Taxation

No provision for Hong Kong Profits Tax has been made as the Target Company had no estimated assessable profits for the Relevant Periods.

The income tax expense for the years can be reconciled to the profit/(loss) before taxation per the statement of profit or loss as follows:

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit/(loss) before taxation	15,766	(64,105)	(5)	—	—
Taxation at income tax rate of 16.5%	2,601	(10,577)	1	—	—
Tax effect of income not taxable for tax purpose	(2,623)	—	—	—	—
Tax effect of expenses not deductible for tax purpose	22	10,577	(1)	—	—
	—	—	—	—	—

12. Directors' emolument

No emoluments were paid to the sole director of the Target Company, Mr. Cheung Kwok Fan, during the Relevant Periods.

	Fees	Salaries and other allowances	Contributions to retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended:				
31 December 2011	—	—	—	—
31 December 2012	—	—	—	—
31 December 2013	—	—	—	—
For the three months ended:				
31 March 2013 (unaudited)	—	—	—	—
31 March 2014	—	—	—	—

No emoluments have been paid by the the Target Company to the sole director as an inducement to join or upon joining the Target Company as compensation for loss of office during the Relevant Periods.

No director of the Target Company has waived any emoluments during the Relevant Periods.

13. Available-for-sale financial assets

	At 31 December			At 31 March
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Listed equity securities in Hong Kong, at fair value				
At the beginning of year/period *(Note b)*	19,822	21,624	—	—
Addition *(Note c)*	21,200	—	—	—
Disposal *(Note d)*	—	(5,485)	—	—
Net loss arising on revaluation of available-for-sale financial assets	(19,398)	(16,139)	—	—
At the end of year/period	21,624	—	—	—

Notes:

(a) All of equity securities listed in Hong Kong are held for long-term investment purpose and stated at fair values. Fair values of the listed equity securities are determined by reference to the quoted market bid prices available on the Stock Exchange.

(b) At 1 January 2011, the Target Company holds a 9.62% interest in the Company.

(c) On 15 August 2011, 530,000,000 new shares of the Company were allotted and issued to the Target Company by way of an open offer at an subscription price of HK$0.04 per share. At 31 December 2011, the Target Company holds a 8.02% interest in the Company.

(d) On 29 May 2012, the Target Company disposed of the entire equity interest in the Company at an average market price of HK$0.345.

14. Financial assets at fair value through profit or loss

	At 31 December			At 31 March
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investments held-for-trading:				
Listed equity securities in Hong Kong, at fair value	1,344	—	—	—

15. Cash and cash equivalents

Cash and cash equivalents at the end of each Relevant Periods as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	At 31 December			At 31 March
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong Dollars	15,927	985	85	85

16. Share capital

	US$	*HK$'000*
Authorised:		
50,000 ordinary shares of US$1 each at 1 January 2011, 31 December 2011, 31 December 2012, 31 December 2013 and 31 March 2014	50,000	
Issued and fully paid:		
1 ordinary share of US$1 each at 1 January 2011, 31 December 2011, 31 December 2012, 31 December 2013 and 31 March 2014	1	8

17. Amount due to the sole shareholder

	At 31 December			At 31 March
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to the sole shareholder	67,529	46,148	45,253	45,253

The amount due to the sole shareholder is unsecured, non-interest bearing and repayable on demand.

18. Capital management

Capital risk management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and maintain healthy ratios in order to support its business and enhance shareholders' value.

The Target Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or raise and repay debts. The Target Company's capital management objectives, policies or processes were unchanged during the Relevant Periods.

The Target Company has adopted a capital structure policy primarily not to finance its operation through borrowings. Based on the Target Company's policy, the gearing ratio at the end of each Relevant Periods were zero.

19. Financial instruments

Categories of financial instruments

	At 31 December			At 31 March
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	15,927	985	85	85
Available-for sale financial assets	21,624	—	—	—
Financial assets at fair value through profit or loss	1,344	—	—	—
Financial liabilities				
Amortised asset	67,529	46,148	45,253	45.253

Financial risk management objectives and policies

The Target Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Company's financial performance. These risks include credit risk, liquidity risk and price risk.

(a) Credit risk

The Target Company's maximum exposure to credit risk which will cause a financial loss to the Target Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

In order to minimise the credit risk, the sole director of the Target Company is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Company reviews the recoverable amount of each individual trade debt and debt investment at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the sole director of the Target Company considers that the Group's credit risk is significantly reduced.

(b) ***Liquidity risk***

Ultimate responsibility for liquidity risk rests with the sole director of the Company, which has built an appropriate liquidity risk management framework to meet the Target Company's short, medium and long-term funding and liquidity management requirements. The Target Company manages liquidity risk by maintaining adequate level of cash and cash equivalents, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Target Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Target Company can be required to pay. The tables include both interest and principal cash flows.

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2011						
Amount due to the sole shareholder	67,529	—	—	—	—	67,529
At 31 December 2012						
Amount due to the sole shareholder	46,148	—	—	—	—	46,148
At 31 December 2013						
Amount due to the sole shareholder	45,253	—	—	—	—	45,253
At 31 March 2014						
Amount due to the sole shareholder	45,253	—	—	—	—	45,253

(c) ***Price risk***

The Target Company is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

Price risk on listed securities under listed equity securities and available-for-sale investments

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of each Relevant Periods. For sensitivity analysis purpose, the sensitivity rate remains as 15% during the Relevant Periods as a result of the volatile financial market.

The following table illustrates the sensitivity of the Target Company's post-tax loss and other comprehensive income for each Relevant Periods if equity prices had been 15% higher/lower:

	At 31 December			At 31 March
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Post-tax loss	202	N/A	N/A	N/A
Other comprehensive income	3,244	N/A	N/A	N/A

Fair value of financial instruments

Fair value of the Target Company's financial instruments that are measured at fair value on a recurring basis

Some of the Target Company's financial instruments are measured at fair value at the end of each Relevant Periods. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value	**Fair value hierarchy**	**Valuation techniques and key inputs**
	HK$'000		
Financial assets			
At 31 December 2011			
Available-for-sale financial asset			
— Listed equity securities	21,624	Level 1	Quoted bid prices in active markets
Financial assets at fair value through profit or loss			
— Listed equity securities	1,344	Level 1	Quoted bid prices in active markets

There were no transfers between Level 1 and 2, or transfers into or out of Level 3 during the Relevant Periods.

20. Material related party transactions

Save as disclosed elsewhere in the Financial Information, the Target Company did not enter into any material transactions with any related party during the Relevant Periods.

Details of balance with a related party are set out in the statement of financial position and in note 17.

Compensation of key management personnel

No remuneration was paid to the sole director of the Target Company during the Relevant Periods.

21. Subsequent events

On 1 April 2014, the Target Company entered into bought and sold notes with vaious investors for acquiring 95,900,000 shares in 21 Holdings Limited ("**21 Holdings**") at a total consideration of HK$286,016,958. The acquisition of 95,900,000 shares in 21 Holdings by the Target Company was completed on 1 April 2014.

On 25 April 2014, the Target Company gave an irrevocable undertaking (the "**Undertaking**") in favour of 21 Holdings and Kingston Securities Limited (the "**Underwriter**") (i) to subscribe for or procure subscription for 47,950,000 Offer Shares to which the Target Company is entitled under the Open Offer and (ii) not to dispose of any shares in 21 Holdings held by it from the date of the underwriting agreement to 21 May 2014 in order to maintain its level of shareholding interest in 21 Holdings. On 16 June 2014, the Company has successfully subscribed for 47,950,000 Offer Shares under its entitlement pursuant to the Undertaking.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company have been prepared in respect of any period subsequent to 31 March 2014.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467
Hong Kong

FINANCIAL INFORMATION OF THE 21 HOLDINGS

Set out below is the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows of 21 Holdings for each of the three years ended 31 December 2011, 2012 and 2013, which were extracted from the annual reports 2012 and 2013 of 21 Holdings.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December

	2013	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	
Continuing operations			
Revenue	98,763	112,711	264,565
Cost of sales and service rendered	(72,515)	(80,285)	(235,258)
Gross profit	26,248	32,426	29,307
Investment and other income	18,887	6,877	2,160
Other gains and losses	942	3,372	(8,935)
Reversal of provision for losses on litigation	86,500	—	—
Selling and distribution costs	(1,041)	(1,503)	(6,100)
Administrative expenses	(48,247)	(38,819)	(46,907)
Amortisation of intangible assets	(9,652)	(16,927)	(17,296)
Provison for losses on litigation	—	—	(3,000)
Impairment loss on intangible assets	(24,932)	(19,986)	—
Impairment loss on goodwill	(20,941)	(29,893)	(147,309)
Finance costs	(2)	(9)	(264)
Profit (loss) before tax from continuing operations	27,762	(64,462)	(198,344)
Income tax credit	8,552	8,801	4,141
Profit (loss) for the year from continuing operations	36,314	(55,661)	(194,203)
Discontinued operation			
Loss for the year from discontinued operation	(1,120)	(1,398)	—
Profit (loss) for the year	35,194	(57,059)	(194,203)

	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operation	359	98	5,639
Total comprehensive income (expense) for the year	35,553	(56,961)	(188,564)
Profit (loss) attributable to owners of the company			
— from continuing operations	36,314	(55,661)	(189,511)
— from discontinued operation	(672)	(839)	—
Profit (loss) for the year attributable to owners of the company	35,642	(56,500)	(189,511)
Loss attributable to non-controlling interests			
— from continuing operations	—	—	(4,692)
— from discontinued operation	(448)	(559)	—
Loss for the year attributable to non-controlling interests	(448)	(559)	(4,692)
	35,194	(57,059)	(194,203)
Total comprehensive income (expense) for the year attributable to:			
Owners of the company	36,001	(56,402)	(183,872)
Non-controlling interests	(448)	(559)	(4,692)
	35,553	(56,961)	(188,564)
Earnings (loss) per share			
From continuing and discontinued operations			
— Basic *(HK dollar)*	0.11	(0.21)	(1.24)
From continuing operations			
— Basic *(HK dollar)*	0.11	(0.21)	(1.24)

Consolidated Statement of Financial Position

At 31 December

	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	1,845	3,095	3,607
Note receivable	9,827	9,136	—
Goodwill	7,059	28,000	57,944
Intangible assets	—	34,055	70,791
	18,731	74,286	132,342
CURRENT ASSETS			
Trade and other receivables	75,771	42,408	100,029
Investments held for trading	41,639	76,715	52,177
Financial assets at fair value through profit or loss	9,150	—	—
Bank balances and cash	120,238	108,112	84,655
	246,798	227,235	236,861
CURRENT LIABILITIES			
Trade and other payables	56,666	136,527	138,825
Tax payable	1,180	1,884	936
Obligations under a finance lease	—	113	187
	57,846	138,524	139,948
NET CURRENT ASSETS	188,952	88,711	96,913
TOTAL ASSETS LESS CURRENT LIABILITIES	207,683	162,997	229,255
NON-CURRENT LIABILITY			
Obligations under a finance lease	—	—	113
Deferred tax liabilities	—	8,514	17,698
	—	8,514	17,811
NET ASSETS	207,683	154,483	211,444

	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*
CAPITAL AND RESERVES			
Share capital	3,208	2,678	13,388
Reserves	204,475	157,056	202,748
Equity attributable to owners of the Company	207,683	159,734	216,136
Non-controlling interests	—	(5,251)	(4,692)
TOTAL EQUITY	207,683	154,483	211,444

Consolidated Statement of Changes in Equity

For the year ended 31 December

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note a)	Contributed surplus HK$'000	Exchange reserve HK$'000	Accumulated (losses) profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	13,388	102,808	2,099	273,969	5,639	(181,767)	216,136	(4,692)	211,444
Loss for the year	—	—	—	—	—	(56,500)	(56,500)	(559)	(57,059)
Exchange differences arising on translation of foreign operation	—	—	—	—	98	—	98	—	98
Total comprehensive expense for the year	—	—	—	—	98	(56,500)	(56,402)	(559)	(56,961)
Capital reduction	(10,710)	—	—	10,710	—	—	—	—	–
Share premium reduction	—	(102,808)	—	102,808	—	—	—	—	–
At 31 December 2012	2,678	—	2,099	387,487	5,737	(238,267)	159,734	(5,251)	154,483
Profit for the year	—	—	—	—	—	35,642	35,642	(448)	35,194
Exchange differences arising on translation of foreign operation	—	—	—	—	359	—	359	—	359
Total comprehensive income for the year	—	—	—	—	359	35,642	36,001	(448)	35,553
Issue of shares upon placement of shares	530	11,660	—	—	—	—	12,190	—	12,190
Share issue expenses	—	(242)	—	—	—	—	(242)	—	(242)
Transfer pursuant to capital reorganisation	—	—	—	(238,267)	—	238,267	—	—	—
Disposal of a subsidiary	—	—	—	—	—	—	—	5,699	5,699
At 31 December 2013	3,208	11,418	2,099	149,220	6,096	35,642	207,683	—	207,683

Notes:

(a) The capital reserve arising from the group reorganisation represents the difference between the nominal value of the share capital issued by the company in exchange for the aggregate nominal values of the share capital of the subsidiaries.

(b) The credit arising from the capital reduction and the share premium cancellation be credited to the contributed surplus account of the company and the directors of the company be and are here by authorised to apply the amount in the contributed surplus account to the company to set off the accumulated loss of the company in the manner permitted by the laws of Bermuda and the bye-laws of the company without further authorisation from the shareholders of the company. Following the approval of set off of contributed surplus against accumulated loss by the board of directors on 24 May 2013, an amount of contributed surplus of HK$238,267,000 was transferred to accumulated loss.

	Share capital	Share premium	Capital reserve	Contributed surplus	Convertible notes equity reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000* (*Note*)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011	1,127	—	2,099	281,147	7,904	—	(242,166)	50,111	—	50,111
Loss for the year	—	—	—	—	—	—	(189,511)	(189,511)	(4,692)	(194,203)
Exchange differences arising on translation of foreign operation	—	—	—	—	—	5,639	—	5,639	—	5,639
Total comprehensive expense for the year	—	—	—	—	—	5,639	(189,511)	(183,872)	(4,692)	(188,564)
Issue of shares under rights issues	23,170	309,956	—	—	—	—	—	333,126	—	333,126
Issue of shares upon placing of shares	2,479	24,790	—	—	—	—	—	27,269	—	27,269
Share issue expenses	—	(10,338)	—	—	—	—	—	(10,338)	—	(10,338)
Capital reduction	(13,388)	—	—	13,388	—	—	—	—	—	—
Share premium reduction	—	(221,600)	—	221,600	—	—	—	—	—	—
Redemption of convertible notes	—	—	—	—	(7,904)	—	7,744	(160)	—	(160)
Transfer	—	—	—	(242,166)	—	—	242,166	—	—	—
At 31 December 2011	13,388	102,808	2,099	273,969	—	5,639	(181,767)	216,136	(4,692)	211,444
Loss for the year	—	—	—	—	—	—	(56,500)	(56,500)	(559)	(57,059)
Exchange differences arising on translation of foreign operation	—	—	—	—	—	98	—	98	—	98
Total comprehensive expense for the year	—	—	—	—	—	98	(56,500)	(56,402)	(559)	(56,961)
Capital reduction	(10,710)	—	—	10,710	—	—	—	—	—	—
Share premium reduction	—	(102,808)	—	102,808	—	—	—	—	—	—
At 31 December 2012	2,678	—	2,099	387,487	—	5,737	(238,267)	159,734	(5,251)	154,483

Note: The capital reserve arising from the group reorganisation represents the difference between the nominal value of the share capital issued by the company in exchange for the aggregate nominal values of the share capital of the subsidiaries.

Consolidated Statement of Cash Flows

For the year ended 31 December

	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit (loss) before tax	27,238	(65,860)	(198,344)
Adjustments for:			
Depreciation of property, plant and equipment	1,015	927	749
Impairment loss on goodwill	20,941	29,893	147,309
Impairment loss on intangible assets	24,932	19,986	—
Amortisation of intangible assets	9,652	16,927	17,296
Provison for losses on litigation	—	—	3,000
Impairment loss on trade receivables	1,159	4,010	60
Impairment loss on other receivables	2,807	—	—
Write-back of trade payables	(887)	—	—
Reversal of impairment loss on trade receivables	—	—	(18)
Reversal of provision for losses on litigation	(86,500)	—	—
Gain on disposals of subsidiaries	(5,122)	—	(50)
Finance costs	2	9	264
Fair value gains of convertible notes designated at fair value through profit or loss	—	—	(347)
Unrealised gains on financial assets at fair value through profit or loss	(950)	—	—
Unrealised (gains)/losses of investments held for trading	(1,567)	(17,265)	4,566
Dividend income from equity securities	(156)	(271)	(240)
Loss on disposal of property, plant and equipment	120	6	—
Gain on redemption of convertible notes	—	—	(835)
Interest income	(4,998)	(5,595)	(723)

	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*
Operating cash flows before movements in working capital	(12,314)	(17,233)	(27,313)
(Increase) decrease in trade and other receivables	(37,826)	53,574	(55,996)
Decrease (increase) in investments held for trading	36,644	(15,860)	(735)
Increase in financial assets at fair value through profit or loss	(8,200)	—	—
Increase (decrease) in trade and other payables	19,066	(2,279)	(634)
Cash (used in) from operations	(2,630)	18,202	(84,678)
Income taxes paid	(1,001)	(242)	(902)
Income taxes refund	107	763	—
Interest paid	(2)	(9)	(99)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(3,526)	18,714	(85,679)
INVESTING ACTIVITIES			
Net cash outflow on acquisition of subsidiaries	—	—	(175,310)
Net cash outflow on disposal of subsidiary	(696)	—	—
Purchase of property, plant and equipment	(15)	(406)	(2,016)
Proceeds from redemption of convertible notes designated as at fair value through profit or loss at maturity	—	—	16,500
Interest received	4,212	5,046	723
Dividend income received	156	271	240
Proceeds from disposal property, plant and equipment	158	—	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES	3,815	4,911	(159,863)

	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*
FINANCING ACTIVITIES			
Gross proceeds on issue of shares under rights issue	—	—	333,126
Gross proceeds on issue of shares under share placing	12,190	—	27,269
Advance from a non-controlling shareholder of a subsidiary	—	—	5,091
Repayment of obligations under a finance lease	(113)	(187)	(179)
Share issue expenses	(242)	—	(10,338)
Consideration for redemption of convertible notes	—	—	(67,900)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	11,835	(187)	287,069
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,124	23,438	41,527
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	108,112	84,655	43,041
Effect of foreign exchange rate changes	2	19	87
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	120,238	108,112	84,655

INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

On 28 March 2014, Eternity Investment Limited (the "**Company**"), together with its subsidiaries (collectively, the "**Group**"), as purchaser was in negotiations with various investors as vendors through a securities brokerage firm for the sale and purchase of in aggregate 95,900,000 shares in 21 Holdings Limited ("**21 Holdings**"), representing approximately 29.90% of its then entire issued share capital.

During the course of negotiations, the securities brokerage firm indicated to the Company that the investors requested the completion of the sale and purchase of 95,900,000 shares in 21 Holdings to take place immediately after the agreement of the selling price per share in 21 Holdings. As the acquisition of 95,900,000 shares in 21 Holdings constitutes a notifiable transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), a lengthy process will be required to comply with the announcement, reporting and shareholders' approval requirements of the Listing Rules. The Company has, therefore, requested Mr. Cheung Kwok Fan (an executive director, a substantial shareholder and a brother of Mr. Cheung Kwok Wai, Elton, an executive director of the Company) (the "**Vendor**") to procure Thought Diamond International Limited (the "**Target Company**") to enter into bought and sold notes with various investors on 1 April 2014, being the date of the sale and purchase agreement (the "**S&P Agreement**"), for acquiring the 95,900,000 shares in 21 Holdings at a total consideration of HK$286,016,958 and, in turn, entering into the S&P Agreement with Riche (BVI) Limited (the "**Purchaser**"), a wholly owned subsidiary of the Company, for selling the entire issued share capital of the Target Company (the "**Sale Capital**") and all the interests, benefits and rights of and in the interest-free shareholder's loan owed by the Target Company (the "**Sale Loan**") to the Group at the same consideration of HK$286,016,958 plus the net assets (excluding the amount due to the shareholder) of the Target Company as at 31 March 2014 in order to facilitate the sale and purchase of the 95,900,000 shares in 21 Holdings.

The acquisition of 95,900,000 shares in 21 Holdings by the Target Company was completed on 1 April 2014.

On 25 April 2014, the board of directors of 21 Holdings announced, among others, the issue of not less than 160,379,617 new shares (each an "**Offer Share**") and not more than 192,379,617 Offer Shares by way of open offer on the basis of one Offer Share for every two existing shares held by the qualifying shareholders of 21 Holdings on 21 May 2014, being the record date, at a subscription price of HK$0.50 per Offer Share.

On 25 April 2014, the Target Company gave an irrevocable undertaking (the "**Undertaking**") in favour of 21 Holdings and Kingston Securities Limited (the "**Underwriter**") (i) to subscribe for or procure subscription for 47,950,000 Offer Shares to which the Target Company is entitled under the Open Offer and (ii) not to dispose of any shares in 21 Holdings held by it from the date of the underwriting agreement to 21 May 2014 in order to maintain its level of shareholding interest in 21 Holdings and to facilitate the Open Offer for raising additional capital to expand into a new business of 21 Holdings, namely the provision of mortgage financing.

On 25 April 2014, the Purchaser and the Vendor entered into a deed of variation (the "**Deed of Variation 1**") pursuant to which the parties mutually agreed to amend the terms of the S&P Agreement in light of the Open Offer and the Undertaking.

On 19 September 2014, the Purchaser and the Vendor entered into another deed of variation (the "**Deed of Variation 2**") pursuant to which the parties mutually agreed to extend the long stop date from 30 September 2014 to 31 October 2014.

Pursuant to the S&P Agreement (as amended and modified by the Deed of Variation 1 and the Deed of Variation 2) as set out in the Circular, the Group has agreed to acquire and the Vendor has agreed to dispose of the Sale Capital and the Sale Loan (the "**Acquisition**") at a cash consideration of HK$310,077,297, subject to the terms and conditions of the S&P Agreement (as amended and modified by the Deed of Variation 1 and the Deed of Variation 2).

On 7 May 2014, 21 Holdings allotted and issued 64,000,000 new shares to not less than six placees pursuant to the placing agreement dated 25 April 2014 and entered into between 21 Holdings and the Underwriter for raising additional capital to expand into a new business, namely the provision of mortgage financing. Accordingly, the shareholding interest of the Target Company in 21 Holdings decreased from approximately 29.90% as at the date of the S&P Agreement to approximately 24.92%. The Target Company remains the single largest substantial shareholder of 21 Holdings.

On 16 June 2014, the Open Offer was completed. As the Latest Practicable Date, the Target Company held 143,850,000 shares in 21 Holdings, representing approximately 24.92% of the entire issued share capital of 21 Holdings as enlarged by the allotment and issue of 192,379,617 Offer Shares. The Target Company remains the single largest substantial shareholder of 21 Holdings.

As the Vendor is a connected person (as defined under the Listing Rules) of the Company, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The unaudited pro forma financial information of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") has been prepared by the directors of the Company in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of illustrating the effects of the Acquisition as if the Acquisition had taken place on 31 December 2013 in the case of the unaudited pro forma consolidated statement of financial position of the Enlarged Group and on 1 January 2013 in the case of the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group.

The preparation of the unaudited pro forma consolidated statement of financial position of the Enlarged Group is based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2013 which has been extracted from the published annual report of the Company for the year ended 31 December 2013; and (ii) the audited statement of financial position of the Target Company as at 31 March 2014 as extracted from the Accountants' Report of the Target Company as set out in Appendix II to this circular, after making pro forma adjustments relating to the Acquisition that are directly attributable to the Acquisition and factually supportable, as if the Acquisition had been completed on 31 December 2013.

The preparation of the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group is based on (i) the audited consolidated statement of profit or loss, the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2013 which have been extracted from the published annual report of the Company for the year ended 31 December 2013; and (ii) the audited statement of profit or loss, the audited statement of profit or loss and other comprehensive income and the audited statement of cash flows of the Target Company for the year ended 31 December 2013 as extracted from the Accountants' Report of the Target Company as set out in Appendix II to this circular, after making pro forma adjustments relating to the Acquisition that are directly attributable to the Acquisition and factually supportable, as if the Acquisition had been completed on 1 January 2013.

The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates and uncertainties. The Unaudited Pro Forma Financial Information does not purport to describe (i) the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 December 2013; and (ii) the actual results and cash flows of the Enlarged Group that would have been attained had the Acquisition been completed on 1 January 2013. The Unaudited Pro Forma Financial Information does not purport to predict the future financial position, results and cash flows of the Enlarged Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Company for the year ended 31 December 2013 and other financial information included elsewhere in this circular.

(A) Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	The Group as at 31 December 2013	The Target Company as at 31 March 2014	Pro forma adjustments		The Enlarged Group as at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	89	—			89
Intangible assets	1,929	—			1,929
Interests in associates	46,916	—	309,992	*1*	123,588
			(233,320)	*6*	
Convertible notes receivables	24,602	—			24,602
Available-for-sale financial assets	172	—			172
Loans receivables	605,148	—			605,148
	678,856	—			755,528

	The Group as at 31 December 2013	The Target Company as at 31 March 2014	Pro forma adjustments		The Enlarged Group as at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Current assets					
Trade receivables	37	—			37
Loans receivables	168,476	—			168,476
Deposits, prepayments and other receivables	11,191	—			11,191
Amount due from an associate	3,528	—			3,528
Financial assets at fair value through profit or loss	49,046	—			49,046
Convertible notes receivables	200,840	—			200,840
Conversion options embedded in convertible notes receivables	77,572	—			77,572
Cash and cash equivalents	662,153	85	(310,077)	*2*	352,161
	1,172,843	85			862,851
Total assets	1,851,699	85			1,618,379

	The Group as at 31 December 2013 *HK$'000*	The Target Company as at 31 March 2014 *HK$'000*	Pro forma adjustments *HK$'000*	*Notes*	The Enlarged Group as at 31 December 2013 *HK$'000*
EQUITY					
Capital and reserves attributable to owners of the Company					
Share capital	4,567	8	(8)	*3*	4,567
Reserves	1,820,805	(45,176)	45,176	*3*	1,586,385
			(1,100)	*4*	
			(233,320)	*6*	
Equity attributable to owners of the Company	1,825,372	(45,168)			1,590,952
Non-controlling interests	(3)	—			(3)
Total equity	1,825,369	(45,168)			1,590,949
LIABILITIES					
Current liabilities					
Accruals and other payables	10,056	—	1,100	*4*	11,156
Amount due to the sole shareholder	—	45,253	309,992	*1*	—
			(355,245)	*5*	
Tax payable	16,043	—			16,043
	26,099	45,253			27,199
Non-current liability					
Deferred taxation	231	—			231
Total liabilities	26,330	45,253			27,430
Total equity and liabilities	1,851,699	85			1,618,379
Net current assets/ (liabilities)	1,146,744	(45,168)			835,652
Total assets less current liabilities	1,825,600	(45,168)			1,591,180

(B) Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Enlarged Group

	The Group for the year ended 31 December 2013	The Target Company for the year ended 31 December 2013	Pro forma adjustments	Notes	The Enlarged Group for the year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
Turnover	26,305	—			26,305
Cost of sales	—	—			—
Gross profit	26,305	—			26,305
Investment and other income	42,955	—			42,955
Other gains and losses	87,279	—	(242,179)	*8*	(154,900)
Administrative expenses	(50,022)	(5)	(1,100)	*4*	(51,127)
Share of results of associates	(3,720)	—	8,770	*7*	5,050
Profit/(loss) from operations	102,797	(5)			(131,717)
Finance costs	—	—			—
Profit/(loss) before taxation	102,797	(5)			(131,717)
Income tax expense	(5,560)	—			(5,560)
Profit/(loss) for the year	97,237	(5)			(137,277)
Profit/(loss) for the year attributable to:					
Owners of the Company	97,238	(5)	(1,100)	*4*	(137,276)
			8,770	*7*	
			(242,179)	*8*	
Non-controlling interests	(1)	—			(1)
	97,237	(5)			(137,277)

(C) Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group

	The Group for the year ended 31 December 2013	The Target Company for the year ended 31 December 2013	Pro forma adjustments	Notes	The Enlarged Group for the year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Profit/(loss) for the year	97,237	(5)	(1,100)	*4*	(137,277)
			8,770	*7*	
			(242,179)	*8*	
Other comprehensive income for the year, net of income tax					
Items that may be reclassified subsequently to profit or loss:					
Net loss arising on revaluation of available-for-sale financial assets	(5,270)	—			(5,270)
Reclassification adjustments relating to available-for-sale financial assets disposed of	(7,079)	—			(7,079)
Share of exchange differences of an associate	—	—	89	*7*	89
Total comprehensive income/(loss) for the year	84,888	(5)			(149,537)
Total comprehensive income/(loss) for the year attributable to:					
Owners of the Company	84,889	(5)	(1,100)	*4*	(149,536)
			8,770	*7*	
			89	*7*	
			(242,179)	*8*	
Non-controlling interests	(1)	—			(1)
	84,888	(5)			(149,537)

(D) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

	The Group for the year ended 31 December 2013	The Target Company for the year ended 31 December 2013	Pro forma adjustments		The Enlarged Group for the year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
OPERATING ACTIVITIES					
Profit/(loss) before taxation	102,797	(5)	(1,100)	*4*	(131,717)
			8,770	*7*	
			(242,179)	*8*	
Adjustments for:					
Cumulative gains reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets	(7,079)	—			(7,079)
Depreciation of property, plant and equipment	95	—			95
Dividend income	(36,479)	—			(36,479)
Gain arising on change in fair value of conversion options embedded in convertible notes receivables	(29,836)	—			(29,836)
Gain arising on change in fair value upon conversion of convertible notes	(16,446)	—			(16,446)
Gain on disposal of subsidiaries	(588)	—			(588)
Interest income on bank deposits	(6,462)	—			(6,462)
Imputed interest income on convertible notes receivables	(38,233)	—			(38,233)
Impairment loss recognised in respect of intangible assets	3,793	—			3,793
Loss arising on change in fair value of financial assets at fair value through profit or loss	5,307	—			5,307
Loss arising on change in fair value of investment properties	1,940	—			1,940

	The Group for the year ended 31 December 2013 *HK$'000*	The Target Company for the year ended 31 December 2013 *HK$'000*	Pro forma adjustments *HK$'000*	*Notes*	The Enlarged Group for the year ended 31 December 2013 *HK$'000*
Loss on disposal of an investment property	13,000	—			13,000
(Reversal of impairment loss)/impairment loss recognised in respect of interest in an associate	(6,137)	—	242,179	*8*	236,042
Share of results of associates	3,720	—	(8,770)	*7*	(5,050)
Share-based payment expenses	7,081	—			7,081
Operating cash flows before movements in working capital	(3,527)	(5)			(4,632)
Decrease in trade receivables	4	—			4
Increase in loans receivables	(712,871)	—			(712,871)
Decrease in deposits, prepayments and other receivables	572	—			572
Decrease in financial assets at fair value through profit or loss	207,205	—			207,205
(Decrease)/increase in accruals and other payables	(58,124)	—	1,100	*4*	(57,024)
Decrease in rental deposits received	(1,440)	—			(1,440)
Decrease in amount due to the sole shareholder	—	(895)			(895)
Cash used in operations	(568,181)	(900)			(569,081)
Tax paid	(1,140)	—			(1,140)
Net cash used in operating activities	(569,321)	(900)			(570,221)

	The Group for the year ended 31 December 2013 *HK$'000*	The Target Company for the year ended 31 December 2013 *HK$'000*	Pro forma adjustments *HK$'000*	*Notes*	The Enlarged Group for the year ended 31 December 2013 *HK$'000*
INVESTING ACTIVITIES					
Dividend income	36,479	—			36,479
Interest received	4,637	—			4,637
Interest received from convertible notes receivables	30,384	—			30,384
Net cash outflow of acquisition of a subsidiary	—	—	(309,092)	*9*	(309,092)
Net cash inflow of disposal of subsidiaries	24,532	—			24,532
Proceeds from disposal of available-for-sale financial assets	41,280	—			41,280
Proceeds from disposal of investment properties	586,000	—			586,000
Purchase of property, plant and equipment	(13)	—			(13)
Net cash generated from investing activities	723,299	—			414,207
FINANCING ACTIVITY					
Net proceeds from issue of new shares	210,208	—			210,208
Net cash generated from financing activity	210,208	—			210,208
Net increase/(decrease) in cash and cash equivalents	364,186	(900)			54,194
Cash and cash equivalents at beginning of year	297,967	985			298,952
Cash and cash equivalents at end of year	662,153	85			353,146
Analysis of the balances of cash and cash equivalents					
Included in cash and cash equivalents per the consolidated statement of financial position	662,153	85	(309,092)	*9*	353,146

Notes to the Unaudited Pro Forma Financial Information

1. The pro forma adjustment represents the recognition of the cost of investment in 21 Holdings. The goodwill arising on acquisition of 21 Holdings and the Target Company's share of net fair value of the identifiable assets and liabilities of 21 Holdings are calculated as follows:

	HK$'000
Net fair value of the identifiable assets and liabilities of 21 Holdings as at 31 December 2013 *(Note a)*	207,683
Share of net fair value of the identifiable assets and liabilities of 21 Holdings at 24.92%	51,755
Goodwill arising on the acquisition of 21 Holdings	258,237
Consideration *(Note b)*	309,992

Notes:

(a) The amount of net fair value of the identifiable assets and liabilities of 21 Holdings is extracted from the audited consolidated statement of financial position of 21 Holdings as at 31 December 2013 as set out in the published annual report of 21 Holdings for the year ended 31 December 2013.

(b) The total cash consideration of approximately HK$309,992,000, which is the difference between the consideration of HK$310,077,000 for the Acquisition and the net assets value of the Target Company of HK$85,000 as at 31 March 2014, will be settled by the Target Company and will be recognised in the Target Company's account as interest in an associate and an amount due to the sole shareholder respectively.

(c) Upon completion of the Acquisition, the investment in 21 Holdings will be accounted for as an associate and its financial results will be accounted for using equity method. The difference between the cost of investment in 21 Holdings and the Enlarged Group's share of the net fair value of the associate's identifiable assets and liabilities will be recognised as goodwill in accordance with Hong Kong Accounting Standard 28 *Investment in Associates*. Based on the information available to the Company, the directors of the Company assume that there is no material difference between the fair value of the net identifiable assets and the net assets value of 21 Holdings as disclosed in note (a) above. In the opinion of the directors of the Company, no fair value adjustment on the identifiable assets and liabilities of 21 Holdings is required in the Unaudited Pro Forma Financial Information.

2. The pro forma adjustment represents the total consideration of approximately HK$310,077,000 for the Acquisition, to be satisfied by cash.

3. The pro forma adjustment represents of the elimination of share capital and pre-acquisition reserves of the Target Company in the amount of HK$8,000 and HK$45,176,000 respectively.

4. The pro forma adjustment represents the estimated professional fees and expenses for the Acquisition of approximately HK$1,100,000, which will be expensed in profit or loss and recognised as accrued expenses upon completion of the Acquisition. The adjustment is not expected to have a continuing effect on the Enlarged Group.

5. The pro forma adjustment represents the elimination of the Sale Loan of approximately HK$355,245,000 after the Acquisition as disclosed in note 1(b) above.

6. The pro forma adjustment represents the impairment loss recognised in respect of interests in associates with reference to the net assets value of 21 Holdings as at 31 December 2013 as follows:

	HK$'000
95,900,000 shares and 47,950,000 Offer Shares of 21 Holdings at an adjusted share price of HK$0.533 per share as at 31 December 2013	76,672
Carrying amount of the investment in 21 Holdings as at 31 December 2013 *(note 1(b))*	(309,992)
Impairment loss	(233,320)

The investment in 21 Holdings is tested for impairment at least annually or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable in accordance with the accounting policies of the Group and the requirements of Hong Kong Accounting Standard ("**HKAS**") 36 *Impairment of Assets*. The results of the Enlarged Group may be affected by impairment loss whenever the recoverable amount of the investment in 21 Holdings is lower than its carrying amount.

Based on the existing business model of 21 Holdings, the directors of the Company have performed the necessary assessment on impairment in accordance with the requirement under HKAS 36. With reference to the adjusted share price as at 31 December 2013 after the Open Offer of 21 Holdings, the directors of the Company are of the opinion that the recoverable amount of the investment in 21 Holdings was HK$76,672,000. Accordingly, an impairment loss of HK$233,320,000 was recognised in the retained profits in the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2013.

7. The pro forma adjustment represents the share of post-acquisition results of HK$8,770,000 and other comprehensive income of HK$89,000 of 21 Holdings as an associate for the year ended 31 December 2013 in proportion to approximately 24.92% equity interest held by the Enlarged Group, assuming that the Acquisition had been completed on 1 January 2013. The results and other comprehensive income of 21 Holdings for the year ended 31 December 2013 are extracted from the audited consolidated statement of financial position of 21 Holdings as set out in the published annual report of 21 Holdings for the year ended 31 December 2013. The adjustment is expected to have a continuing effect on the Enlarged Group.

8. The pro forma adjustment represents the impairment loss recognised in respect of interests in associates relating to 21 Holdings, assuming that the Acquisition had been completed on 1 January 2013, with reference to the net fair value of the identifiable assets and liabilities of 21 Holdings as at 31 December 2013 as follows:

	HK$'000
95,900,000 shares and 47,950,000 Offer Shares of 21 Holdings at an adjusted share price of HK$0.533 per share as at 31 December 2013	76,672
Cost of investment in 21 Holdings as at 1 January 2013	(309,992)
Share of results of 21 Holdings for the year ended 31 December 2013 *(note 7)*	(8,770)
Share of other comprehensive income of 21 Holdings for the year ended 31 December 2013 *(note 7)*	(89)
Impairment loss	242,179

The carrying amount of the investment in 21 Holdings is tested for impairment at least annually or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable in accordance with the accounting policies of the Group and the requirements of HKAS 36 *Impairment of Assets*. The results of the Enlarged Group may be affected by impairment loss whenever the recoverable amount of the investment in 21 Holdings associates is lower than the carrying amount.

Based on the existing business model of 21 Holdings, the directors of the Company have performed the necessary assessment on impairment in accordance with the requirement under HKAS 36. With reference to the adjusted share price as at 31 December 2013 after the Open Offer of 21 Holdings, the directors of the Company are of the opinion that the recoverable amount of investment in 21 Holdings was HK$76,672,000. Accordingly, an impairment loss of HK$242,179,000 was recognised in the unaudited pro forma consolidated statement of profit or loss of the Enlarged Group for the year ended 31 December 2013.

The adjustment is expected to have a continuing effect on the Enlarged Group.

9. The pro forma adjustment represents the net cash outflow, assuming that the Acquisition had been completed on 1 January 2013:

	HK$'000
Cash consideration	(310,077)
Cash and cash equivalents of the Target Company	985
Net cash outflow	(309,092)

The adjustment is not expected to have a continuing effect on the Enlarged Group.

10. No adjustment has been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2013.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants of Eternity Investment Limited, HLB Hodgson Impey Cheng Limited, Certified Public Accountants in respect of the unaudited pro forma financial information.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

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

Date: 23 September 2014

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

TO THE DIRECTORS OF ETERNITY INVESTMENT LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Eternity Investment Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 December 2013, the pro forma consolidated statement of profit or loss for the year ended 31 December 2013, the pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013, the pro forma consolidated statement of cash flows for the year ended 31 December 2013 and related notes as set out on pages 104 to 117 of the circular issued by the Company dated 23 September 2014 (the "**Circular**"). The applicable criteria on the basis of which the directors of the Company have compiled the pro forma financial information are described on pages 104 to 117 of the Circular.

The pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed acquisition of the entire issued share capital of Thought Diamond International Limited (the "**Target Company**") and all the interests, benefits and rights of and in the interest-free shareholder's loan owed by the Target Company on the Group's financial position as at 31 December 2013 and the Group's financial performance and cash flows for the year ended 31 December 2013 as if the transaction had taken place at 31 December 2013 and 1 January 2013 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors of the Company from the Group's financial statements for the year ended 31 December 2013, on which an audited report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 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 ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2013 or 1 January 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467
Hong Kong

For the year ended 31 December 2013

Financial Review

Results of operations

During the year ended 31 December 2013, the Enlarged Group recorded a revenue of HK$26,305,000, a 61.00% decrease from HK$67,442,000 for the previous year. The decrease in turnover was mainly attributable to the termination of management services agreement with Dore Entretenimento Sociedade Unipessoal Limitada ("**Dore**"), a licensed gaming promoter for Wynn Macau, on 12 September 2012. Of the total turnover, HK$24,101,000 was generated from money lending, HK$3,402,000 was generated from property investment, HK$512,000 was generated from provision of management services and a loss of HK$1,710,000 was generated from sale of financial assets. Loss for the year attributable to owners of the Company amounted to HK$137,276,000. The deterioration in the Enlarged Group's performance is mainly attributable to the recognition of the impairment loss in respect of the interests in associates of HK$242,179,000 relating to 21 Holdings and the absence of the gain arising on change in fair value of the Kwun Tong Properties of HK$168,000,000 recorded in the year ended 31 December 2012. The Kwun Tong Properties was disposed of in July 2013.

Investment and other income increased by 1,551.48% from HK$2,601,000 in the year ended 31 December 2012 to HK$42,955,000 in the current financial year. This increase was attributable to the dividend income of HK$36,479,000 received from China Star.

Other gains and losses represent items of income and expenses, which are material and/or extraordinary in nature. Major items of other gains and losses recorded by the Enlarged Group during the year are as follows:

(a) in September 2013, the Enlarged Group converted the entire principal amount of the bonus convertible notes, which were accounted for available-for-sale financial assets, into 607,980,676 new shares in China Star at an initial conversion price of HK$0.01 per share and recognised cumulative gains reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets of HK$4,849,000, which represents the difference between fair value at conversion of HK$82,949,000 and carrying amount of HK$86,333,000 (a loss of HK$3,384,000) and the recycling to profit or loss of HK$8,233,000 gain previously recognised in other comprehensive income. The Enlarged Group disposed of 303,990,338 shares in China Star, which were accounted for available-for-sale financial assets, at an average selling price of HK$0.1358 per share and recognised another cumulative gains reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets of HK$2,230,000, which represents the difference between proceeds of HK$41,281,000 and carrying amount of HK$43,167,000 (a loss of HK$1,886,000) and the recycling to profit or loss of HK$4,116,000 gain previously recognised in other comprehensive income;

(b) the carrying amount of the conversion options embedded in convertible notes receivables was reassessed at the end of the reporting period with reference to the valuation performed by an independent professional valuer. Given that the adjusted conversion price of the 8% convertible notes receivable from China Star was further adjusted from HK$0.12 per share to HK$0.11 per share on 7 May 2013 and the share price of China Star was closed at HK$0.119 per share on 31 December 2013, a gain arising on change in fair value of conversion options embedded in convertible notes receivables of HK$29,836,000 was recognised;

(c) on 2 October 2013, the Enlarged Group converted HK$125,000,000 of the 8% convertible notes receivable from China Star into 1,136,363,636 new shares in China Star at the adjusted conversion price of HK$0.11 per share and recognised a gain arising on change in fair value upon conversion of convertible notes receivables of HK$16,446,000;

(d) the convertible notes receivable from China Star and Koffman Corporate Service Limited ("**Koffman Corporate**"), a Hong Kong private company, generated imputed interest income of HK$38,233,000 to the Enlarged Group. The imputed interest income decreased from HK$50,086,000 in the year ended 31 December 2012 to HK$38,233,000 in the year ended 31 December 2013, which was attributable to the conversion of HK$125,000,000 of the 8% convertible notes receivable from China Star into 1,136,363,636 new shares in China Star on 2 October 2013;

(e) the Enlarged Group revalued its equity portfolio to market prices at the end of the reporting period and recognised a loss arising on change in fair value of financial assets at fair value through profit or loss of HK$5,307,000;

(f) a reversal of impairment loss recognised in respect of interests in associates of HK$6,137,000 was recognised as the share price of China Media and Films Holdings Limited ("**China Media**", now known as China Star Cultural Media Group Limited and stock code: 8172), an associated company of the Enlarged Group, surged from HK$0.295 per share on 31 December 2012 to HK$0.32 per share on 31 December 2013; and

(g) the carrying amount of the Enlarged Group's investment in 21 Holdings, an associated company of the Enlarged Group, was tested for impairment at the end of the reporting period with reference to the valuation performed by an independent professional valuer. As the carrying amount of the investment in 21 Holdings of HK$318,851,000 exceeds its recoverable amount of HK$76,672,000 by HK$242,179,000, an impairment loss in respect of interests in associates of HK$242,179,000 was recognised.

Administrative expenses (before depreciation) amounted to HK$51,032,000 for the year ended 31 December 2013, a 117.05% increase from HK$23,512,000 for the previous year. This increase was mainly attributable to the payment of commission relating to the disposal of Kwun Tong Properties of HK$5,860,000, a HK$5,951,000 increase in directors' emoluments, a loss on disposal of investment properties of HK$13,000,000 and the professional fees of HK$1,100,000 for the Acquisition. The loss on disposal of investment properties is discussed in details in "Operations Review" section below.

For the year ended 31 December 2013, China Media and its subsidiaries reported a consolidated loss of HK$12,829,000 and contributed a loss of HK$3,720,000 to the Enlarged Group.

For the year ended 31 December 2013, Spark Concept Group Limited ("**Spark Concept**"), an associated company of the Enlarged Group, and its subsidiaries reported a consolidated loss of HK$1,820,000. As the Enlarged Group's share of post-acquisition losses equals to its interests in Spark Concept, no further share of loss was recognised.

For the year ended 31 December 2013, 21 Holdings, an associated company of the Enlarged Group, and its subsidiaries reported a consolidated profit of HK$35,194,000 and contributed a profit of HK$8,770,000 to the Enlarged Group.

Liquidity and financial resources

During the year ended 31 December 2013, the Enlarged Group funded its operations through a combination of cash generated from operations, equity attributable to owners of the Company and issue of new shares. Equity attributable to owners of the Company increased from HK$1,521,954,000 at 31 December 2012 to HK$1,590,952,000 at 31 December 2013.

At 31 December 2013, the cash and cash equivalents of the Enlarged Group amounted to HK$352,161,000 (2012: HK$297,967,000).

At 31 December 2013, the Enlarged Group had no borrowings (2012: Nil).

Net current assets and current ratio

At 31 December 2013, the Enlarged Group's net current assets and current ratio were HK$835,652,000 (2012: HK$1,000,231,000) and 31.72 (2012: 13.61), respectively.

Capital structure

During the year ended 31 December 2013, the capital structure of the Company had the following changes:

(a) on 24 January 2013, the Company allotted and issued 47,000,000 new shares at a price of HK$0.645 per share by way of placing of new shares under general mandate raising HK$29,931,000 (net of expenses) for acquiring investment property in Hong Kong in order to enrich the Enlarged Group's investment properties portfolio; and

(b) on 26 April 2013, the Company allotted and issued 152,224,414 new shares at a subscription price of HK$1.20 per share by way of open offer to the qualifying Shareholders on the basis of one new share for every two existing shares held on 5 April 2013 raising HK$180,277,000 (net of expenses), of which HK$40,000,000 is intended to be used for financing the proposed subscription of the convertible notes to be issued by EDS Wellness, HK$40,000,000 is intended to be used for financing the proposed granting of an unsecured loan to EDS Wellness and the remaining balance of HK$100,277,000 is intended to be used for financing the development and expansion of the Enlarged Group's money lending business.

Material acquisitions

During the year ended 31 December 2013, the Enlarged Group had the following material acquisitions:

(a) in September 2013, the Enlarged Group exercised the conversion rights attaching to the bonus convertible notes receivable from China Star to convert the entire principal amount of HK$6,079,806.76 into 607,980,676 new shares in China Star at an initial conversion price of HK$0.01 per share. The conversion of the bonus convertible notes was approved by the Shareholders at the Company's special general meeting held on 28 June 2013;

(b) on 2 October 2013, the Enlarged Group exercised the conversion rights attaching to the 8% convertible notes receivable from China Star to convert the principal amount of HK$125,000,000 into 1,136,363,636 new shares in China Star at the adjusted conversion price of HK$0.11 per share. The conversion of the 8% convertible notes was approved by the Shareholders at the Company's special general meeting held on 30 June 2011; and

(c) the Enlarged Group acquired the entire issued share capital of and a shareholder's loan due by the Target Company at the Consideration of HK$310,077,297. The underlying assets of the Target Company are its 143,850,000 shares in 21 Holdings, representing approximately 24.92% of the entire issued share capital of 21 Holdings.

Material disposals

During the year ended 31 December 2013, the Enlarged Group had the following material disposals:

(a) on 4 July 2013, Rexdale disposed of the Kwun Tong Properties at a consideration of HK$586,000,000 pursuant to the preliminary sale and purchase agreement dated 20 November 2012 (as amended by the supplemental agreement dated 4 July 2013) and entered into between Rexdale and Grand Reward Limited. The disposal was approved by the Shareholders at the Company's special meeting held on 9 January 2013; and

(b) in September and October 2013, the Enlarged Group disposed of 2,048,334,650 shares in China Star at an average price of HK$0.135 per share pursuant to the 12-month mandate granted to the directors by the Shareholders at the Company's special general meeting held on 28 June 2013.

Pledge of assets

At 31 December 2013, no assets of the Enlarged Group were pledged.

Material commitments

At 31 December 2013, the Enlarged Group had a total commitment of HK$408,852,000 relating to:

(a) the subscription of the second tranche of convertible notes to be issued by China Star in the principal amount of HK$300,000,000 pursuant to the conditional subscription agreement dated 21 January 2011 (as amended by the supplemental agreements dated

29 June 2012 and 31 December 2013). The subscription of the second tranche of convertible notes is conditional upon the fulfillment of the conditions precedent set out in the conditional subscription agreement, including the availability of sufficient fund by the Company. On 29 June 2012, the completion date of subscription was extended from 30 June 2012 to 31 December 2013. On 31 December 2013, the completion date of subscription was further extended from 31 December 2013 to 31 December 2015;

(b) the subscription of the convertible notes to be issued by EDS Wellness in the principal amount of HK$40,000,000 pursuant to the conditional subscription agreement dated 21 March 2013 (as amended by the letter of extension dated 30 October 2013). The subscription of the convertible notes is conditional upon the fulfillment of the conditions precedent set out in the conditional subscription agreement. On 30 October 2013, the completion date of subscription was extended from 31 October 2013 to 30 June 2014;

(c) the granting of an unsecured loan in the principal amount of HK$40,000,000 to EDS Wellness pursuant to the conditional loan agreement dated 21 March 2013 (as amended by the letter of extension dated 30 October 2013). The granting of the unsecured loan is conditional upon the fulfillment of the conditions precedent set out in the conditional loan agreement. On 30 October 2013, the completion date of granting of loan was extended from 31 October 2013 to 30 June 2014; and

(d) loans commitment in the aggregate principal amount of HK$28,852,000 pursuant to the building mortgages and the loan agreements entered into between the Enlarged Group and its customers.

Exchange risk and hedging

During the year ended 31 December 2013, all of the Enlarged Group's transactions, assets and liabilities are denominated in Hong Kong dollars. Accordingly, no financial instruments for hedging purposes have been used by the Enlarged Group.

Contingent liabilities

At 31 December 2013, the Enlarged Group had a claim brought by China Finance in High Court Action No. 526 of 2010 against Rexdale for failing to pay a service fee in the sum of HK$25,000,000 to China Finance. No provision for the claim was made in the consolidated financial statements of the Enlarged Group for the year ended 31 December

2013 as Lafe Corporation Limited has undertaken to indemnify and keep indemnified the Enlarged Group against any and all losses, claims, damages, penalties, actions, demands, proceeding, judgment and costs arising from or in connection with the claim.

Employees and remuneration policy

At 31 December 2013, the headcount of the Enlarged Group was 13 (2012: 12). Staff costs (including directors' emoluments) amounted to HK$18,384,000 (2012: HK$10,656,000). In addition to basic salaries and other allowances, provident fund and discretionary bonus, staff benefits include medical scheme and share options.

Operations Review

During the year ended 31 December 2013, no revenue was generated from the film distribution business as the Enlarged Group was not able to secure quality films at reasonable prices for distribution. In addition, no film has yet been produced by China Media for distribution by the Enlarged Group during the year.

During the year ended 31 December 2013, the Enlarged Group acquired equities with market value of HK$36,714,000. The sale of financial assets business recorded a loss of HK$1,710,000, which consists of a gain of HK$955,000 arising from the disposal of equities with market value of HK$8,545,000 and a loss of HK$2,665,000 arising from the disposal of 1,744,344,312 new shares in China Star converted from the bonus convertible notes of HK$6,079,806.76 and the HK$125,000,000 of 8% convertible notes receivable from China Star. The loss of HK$2,665,000 from disposal of 1,744,344,312 shares in China Star represents the difference between the net proceeds received and the fair values of 1,744,344,312 shares in China Star on the dates of conversion. Upon conversion of the bonus convertible notes, the Enlarged Group recognised cumulative gains reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets of HK$4,849,000 under "other gains and losses". Upon the conversion of the HK$125,000,000 of 8% convertible notes, the Enlarged Group recognised a gain arising on change in fair value upon conversion of convertible notes receivables of HK$16,446,000 under "other gains and losses". At 31 December 2013, the Enlarged Group revalued its equities portfolio to market prices of HK$49,046,000 and recorded a loss arising on change in fair value of financial assets at fair value through profit or loss of HK$5,307,000.

During the year ended 31 December 2013, the Enlarged Group's provision of management services business generated services fee income amounted to HK$512,000, a 99.00% decrease from HK$51,078,000 for the previous year. This significant decrease was mainly attributable to the termination of management services agreement with Dore on 12 September 2012. In addition, the services fee income generated from the Enlarged Group's remaining management services agreement decreased from HK$1,166,000 in the year ended 31 December 2012 to HK$512,000 in the year ended 31 December 2013. Such decrease reflects the gaming promoter has adopted a tightening credit policy towards its Mainland Chinese VIP customers in response to the slowdown of the Mainland Chinese economy. The directors reassessed the carrying amount of the management services agreement held by the Enlarged Group at 31 December 2013 with reference to the valuation performed by an independent professional valuer and an impairment loss on intangible assets of HK$3,793,000 was recognised.

During the year ended 31 December 2013, the Enlarged Group's property investment business generated a rental income of HK$3,402,000. On 2 January 2013, Rexdale served three-month prior written notices to the tenants of the Kwun Tong Properties to terminate their tenancies for delivering vacant possession of all units of the Kwun Tong Properties to Grand Reward Limited upon completion pursuant to the preliminary sale and purchase agreement dated 20 November 2012 and entered into between Rexdale and Grand Reward Limited. Subsequently, as requested by certain tenants of the Kwun Tong Properties and having discussed with Grand Reward Limited, on 27 June 2013, Rexdale and the tenants entered into tenancy agreements for a term commencing on 2 April 2013 and ending on 4 July 2013, being the expected completion date, in respect of the 10th, 11th and 12th floors and six car parking spaces of the Kwun Tong Properties. On 4 July 2013, Rexdale and Grand Reward Limited entered into a supplemental agreement to amend certain terms of the preliminary sale and purchase agreement to effect that Rexdale shall no longer be required to deliver vacant possession of all units of the Kwun Tong Properties on completion and the sale and purchase of the Kwun Tong Properties was completed on that date. Upon the signing of the preliminary sale and purchase agreement on 20 November 2012, the Kwun Tong Properties was accounted for assets classified as held for sale and its fair value surged from HK$469,000,000 at 30 June 2012, being the interim financial reporting period immediately prior to the date of the preliminary sale and purchase agreement, to HK$603,000,000 at 31 December 2012. Such gain arising on change in fair value of investment properties of HK$134,000,000 was directly credited to the consolidated statement of profit or loss in the second half of 2012. However, the fair value of the Kwun Tong Properties decreased from HK$603,000,000 at 31 December 2012 to HK$599,000,000 at 4 July 2013. Accordingly, a loss arising on change in fair value of investment properties of HK$4,000,000 was recognised in the year ended 31 December 2013. Given that the fair value of the Kwun Tong Properties at 4 July 2013 exceeded the consideration of HK$586,000,000 by HK$13,000,000, a loss on disposal of the Kwun Tong Properties of HK$13,000,000 was recorded. In view of the deteriorating market conditions following the introduction of new measures by the Hong Kong Government and Hong Kong Monetary Authority for stabilising property prices in February 2013, the Enlarged Group disposed of and took profit from its two three-storey New Territories Small Houses located in Ma Yau Tong, Sai Kung, New Territories, Hong Kong by selling the entire issued share capital of East Legend Properties Limited ("**East Legend**") and Goway Properties Limited ("**Goway**"), both of them were wholly owned subsidiaries of the Company, at an aggregate cash consideration of HK$24,995,000 on 6 June 2013. Immediately prior to their disposal, each of the two three-storey New Territories Small Houses was revalued to market price of HK$12,000,000 with reference to the property valuations performed by an independent professional valuer appointed by the Enlarged Group. The considerations were determined with reference to the market value of the two three-storey New Territories Small Houses and adjusted for the net assets value of each of East Legend and Goway at 31 May 2013. As a result, the Enlarged Group recorded a gain arising on change in fair value of investment properties of HK$2,060,000 and a gain on disposal of subsidiaries of HK$588,000.

During the year ended 31 December 2013, the Enlarged Group's money lending business generated interest income on loans of HK$24,101,000, a 146.31% increase from HK$9,785,000 for the previous year. This increase was attributable to the active expansion of the Enlarged Group's money lending business during the year. The average monthly balance of loans receivables increased from HK$41,244,000 in the year ended 31 December 2012 to HK$248,124,000 in the year ended 31 December 2013. During the year, the Enlarged Group made new loans in the aggregate principal amount of HK$789,500,000 to its customers and received loans repayment of HK$64,955,000 from its customers. At 31 December 2013, the Enlarged Group's loans receivables together with accrued interest receivables amounted to HK$773,624,000.

For participating in the development of EDS Wellness, the Enlarged Group and EDS Wellness entered into a conditional subscription agreement on 21 March 2013, pursuant to which EDS Wellness has conditionally agreed to issue and the Enlarged Group has conditionally agreed to subscribe for the convertible notes in the principal amount of HK$40,000,000 at their face value. The convertible notes are unsecured, non-interest bearing and maturing on the date falling 30 months from the date of their issue. Subject to the compliance of the public float requirement by EDS Wellness, the convertible notes carry rights entitling the holders hereof to convert their principal amount into new shares in EDS Wellness at an initial conversion price of HK$1.00 per share (subject to adjustment) during their term. Unless previously redeemed, repurchased and cancelled or converted, any outstanding convertible notes shall be redeemed at par on the maturity date. On 21 March 2013, the Enlarged Group also entered into a conditional loan agreement with EDS Wellness relating to the grant of an unsecured loan in the principal amount of HK$40,000,000 for a term of three years commencing from the date of drawdown. On 30 October 2013, the long stop dates of the conditional subscription agreement and the conditional loan agreement were extended from 31 October 2013 to 30 June 2014 as additional time is required for the fulfillment of the conditions precedent of these two agreements.

On 18 February 2013, the directors proposed to seek approvals from the Shareholders for (i) exercising the conversion rights attaching to the bonus convertible notes issued by China Star in the aggregate principal amount of HK$6,079,806.76 to convert their principal amount into 607,980,676 new shares in China Star (the "**Conversion**") and (ii) granting a mandate to the Company for disposing of the 303,990,338 shares in China Star that already held by the Enlarged Group and the new shares in China Star to be allotted and issued to the Enlarged Group pursuant to the exercise of the conversion rights attaching to the bonus convertible notes and the 8% convertible notes receivable from China Star in the aggregate principal amount of HK$350,000,000 (the "**Disposal**") for realising the Enlarged Group's investments in China Star. The Conversion and the Disposal were approved by the Shareholders at the special general meeting of the Company held on 28 June 2013. In September 2013, the Enlarged Group converted the entire principal amount of the bonus convertible notes into 607,980,676 new shares in China Star at an initial conversion price of HK$0.01 per share and recorded cumulative gains reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets of HK$4,849,000. In September 2013, the Enlarged Group disposed of 303,990,338 shares in China Star, which were accounted for available-for-sale financial assets, at an average selling price of HK$0.1358 per share and recognised cumulative gains reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets of HK$2,230,000. On 2 October 2013, the Enlarged Group converted HK$125,000,000 of the 8% convertible notes of HK$350,000,000 into 1,136,363,636 new shares in China Star at the adjusted conversion price of HK$0.11 per share. The partial conversion of the 8% convertible notes resulted in a gain arising on change in fair value upon conversion of convertible notes receivables of HK$16,446,000. In September and October 2013, the Enlarged Group disposed of 1,744,344,312 new shares in China Star converted from the bonus convertible notes and the 8% convertible notes at an average selling price of HK$0.1349 per share and recognised a loss of HK$2,665,000. At 31 December 2013, the remaining 8% convertible notes held by the Enlarged Group amounted to HK$225,000,000. As the adjusted conversion price of the 8% convertible notes receivable from China Star was further adjusted from HK$0.12 per share to HK$0.11 per share on 7 May 2013 and the share price of China Star was closed at HK$0.119 per share on 31 December 2013, a gain arising on change in fair value of conversion options embedded in convertible notes receivables of HK$29,836,000 was recognised.

During the year ended 31 December 2013, the Enlarged Group's fixed income portfolio generated imputed interest income of HK$38,233,000, a 23.67% decrease from HK$50,086,000 for the previous year. Such decrease was attributable to the partial conversion of the 8% convertible notes as discussed above. During the year ended 31 December 2013, the cash interest income received by the Enlarged Group amounted to HK$30,384,000. At 31 December 2013, the face value of the Enlarged Group's fixed income portfolio amounted to HK$252,000,000, comprising the 8% convertible notes receivable from China Star of HK$225,000,000 and the convertible note receivable from Koffman Corporate of HK$27,000,000.

In April 2013, Spark Concept and its subsidiaries (the "**Spark Concept Group**") expanded their operations by opening a Japanese noodle shop in Quarry Bay, Hong Kong. On 1 July 2013, the landlord of the European cuisine restaurant in Sheung Wan, Hong Kong served a written notice to the Spark Concept Group to terminate its tenancy with the Spark Concept Group on 1 August 2013 with a payment of three-month rental as compensation. Accordingly, the European cuisine restaurant was closed on 1 August 2013. On 31 August 2013, the major shareholder of Spark Concept disposed of her 51% interests in Spark Concept to an independent third party, who has extensive business experience in running Japanese restaurants in Hong Kong. The Enlarged Group remains holding 49% interests in Spark Concept. Following the change of the major shareholder, a restructuring of the Spark Concept Group's business was undertaken, involving the disposal of the fine dining restaurant and the wine trading company for concentrating its resources in Japanese noodle shops. In December 2013, the Japanese noodle shops, namely Shugetsu Ramen (麵鮮醬油房周月), were selected in the Michelin Guide Hong Kong & Macau 2014 as BIB Gourmand Restaurants (Michelin inspectors' favorites for good value). Since the publication of the guide, the performance of Spark Concept Group has improved and is currently at cash-flow breakeven situation. During the year, no further cash was advanced to the Spark Concept Group by its shareholders. At 31 December 2013, the Spark Concept Group owed the Enlarged Group an amount of HK$7,393,000 (before impairment loss of HK$3,865,000), which is unsecured, interest-free and repayable on demand. Due to the rising in food and labour costs, the Spark Concept Group reported a loss of HK$1,820,000 for the year. As the Enlarged Group's share of post-acquisition losses equals to its interests in Spark Concept, no further share of losses was recognised for the year.

Financial and Trading Prospects

A number of central banks around the world tightened monetary policy during the last week of January 2014, but the rationale for their policy decisions varied significantly. In the United States, the Federal Reserve continued its tapering of monthly bond purchase programme to reflect the strong economic growth prospects, while certain emerging markets tightened policy in an attempt to prevent an exodus of foreign capital from their countries. Although the situation in the Eurozone continues to improve with forward looking survey data suggesting continued economic expansion, unemployment is still at extremely high levels and the rate of private sector credit growth remains very low. The directors expect the global outlook for 2014 remains uncertain. However, the directors recognise that an uncertainty outlook can often coincide with a good opportunity to invest. As such, the Enlarged Group continues to adopt a conservative investment approach in investing towards the Enlarged Group's sale of financial assets business in 2014.

During the year ended 31 December 2013, the gaming promoter of the management services agreement held by the Enlarged Group adopted a tightening credit policy towards its Mainland Chinese VIP customers in response to the slowdown of the Mainland Chinese economy. With worries over the Mainland Chinese economic growth and excessive growth in the Mainland China's so-called shadow banking sector, the gaming promoter has unveiled to the Enlarged Group that a tightening credit policy towards its Mainland Chinese VIP customers is likely to remain in place for 2014. Accordingly, the directors do not expect any growth in the Enlarged Group's provision of management services business in 2014.

Following the disposal of its two three-storey New Territories Houses located in Ma Yau Tong, Sai Kung, New Territories, Hong Kong on 6 June 2013 and the Kwun Tong Properties on 4 July 2013, the Enlarged Group does not hold any investment properties. The implementation of Special Stamp Duty in November 2010, Buyer's Stamp Duty in October 2012 and Doubling Stamp Duty in February 2013 measures, along with the lowered loan-to-value ratio, has effectively suppressed demand by increasing transaction costs and they have essentially stopped speculation. The sales market for properties experienced a substantial contraction in 2013. In view of a slow sale market, the Government's stamp duty measures remaining in place and the Federal Reserve tapering of its monthly bond purchase programme, potential price corrections are expected. The Enlarged Group adopts a wait-and-see approach in revitalising its property investment business in 2014.

The Enlarged Group actively expanded its money lending business in 2013 and the money lending business has become the main driver of the Enlarged Group's earnings. The directors will allocate more resources to further expand the money lending business in 2014 in order to enhance the Enlarged Group's earnings. In addition, as most of the loans granted in 2013 were drawn in the fourth quarter of 2013, it is expected that a growth will be recorded in the Enlarged Group's money lending business in 2014. Despite the determination for further expanding its money lending business, the Enlarged Group adopts a cautious approach towards its assessment and approval of loans in order to reduce its credit risk.

During the year ended 31 December 2013, the Enlarged Group had invested in the business of property agency and related services by acquiring the entire issued share capital of and a shareholder's loan due by the Target Company, the underlying assets of which are its 24.92% shareholding interest in 21 Holdings. As land is a scarce resource in Hong Kong and housing is a basic necessity, the Enlarged Group believes that the investment in 21 Holdings would improve its profitability. In addition to its exiting property agency and related services business, 21 Holdings is the process of expanding into a new business, namely the provision of mortgage financing. As 21 Holdings currently has over 100 branches (including franchisees) with more than 300 property agents in Hong Kong, the Enlarged Group believes that 21 Holdings could utilise its existing property agency network to build up a diverse and sizeable base of customers for its newly expanded provision of mortgage financing business effectively and broaden its income sources.

In 2014, the directors will continue to cautiously monitor the business environment and continue to strengthen the Enlarged Group's business foundation by focusing the Enlarged Group's existing businesses. In addition to focusing on the Enlarged Group's existing businesses, the directors will continue to cautiously identify suitable investment opportunities for the Enlarged Group to diversify its businesses and broaden its revenue.

Events after the Reporting Period

(a) On 4 March 2014, the Company allotted and issued 91,000,000 new shares at a price of HK$0.78 per share by way of placing of new shares under general mandate raising HK$70,140,000 (net of expenses) for financing the Enlarged Group's money lending business.

(b) On 20 March 2014, the Board announced that it came to the attention of the Company that a writ (the "**Writ**") of summons in High Court Action No. 9 of 2014 was issued by The Grande Holdings Limited (in liquidation), Roderick John Sutton (as joint and several provisional liquidator of The Grande Holdings Limited), Fok Hei Yu (as joint and several provisional liquidator of The Grande Holdings Limited) and 65 other companies listed as plaintiffs against 25 defendants inclusive of One Synergy.

The action alleges, inter alia, that One Synergy is liable to the plaintiffs as a constructive trustee and/or by way of equitable compensation and/or an accounts of profits and/or restitution and/or damages as a knowing recipient and/or by reason of the knowing or dishonest assistance in the breaches of trust and/or breaches of fiduciary duties by various of the defendants and/or by reason of dealings between

One Synergy and the plaintiffs otherwise being voidable (and avoided), void, unlawful or illegal, in respect of its receipt of the shares in The Grande Properties Ltd (now known as Rexdale).

Riche (BVI) Limited, a wholly owned subsidiary of the Company, acquired the entire issued share capital of Adelio Holdings Limited, which is the holding company of One Synergy, from Vartan Holdings Limited, an independent third party, pursuant to a sale and purchase agreement dated 25 May 2011. One Synergy acquired the entire issued share capital of Rexdale from Lafe Corporation Limited, being one of the defendants, pursuant to a sale and purchase agreement dated 31 December 2010 (the "**Agreement**"). The entire issued share capital of Rexdale was sold by The Grande (Nominees) Ltd., being one of the plaintiffs, and The Grand Limited to Lafe Corporation Limited on or about 29 June 2007. The principal assets of Rexdale were the Kwun Tong Properties. The Kwun Tong Properties was sold by Rexdale to Grand Reward Limited, an independent third party, in July 2013.

One Synergy has sought counsel opinion on the Writ and has been advised to defend the plaintiffs' claim in the said action. Counsel has advised that, based upon available evidence, there is nothing unusual in the Agreement and One Synergy would not have any express or constructive notice of the plaintiffs' alleged irregularities and/or fraudulent acts of the former directors and/or management officers of the plaintiffs and One Synergy should not be held liable to any part of the plaintiffs' claim and has good and valid defence thereto.

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 or this circular misleading.

2. 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 Hong Wai	*1*	Held by controlled corporations	105,708,000	19.30%
Mr. Cheung Kwok Wai, Elton	*1*	Held by controlled corporations	105,708,000	19.30%

Name of Director	*Note*	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
The Vendor	*1*	Held by controlled corporations	105,708,000	19.30%
Mr. Chan Kin Wah, Billy		Beneficial owner	2,449,500	0.45%

Note:

1. Twin Success is owned as to 50% by Silver Pacific International Limited and as to 50% by Silver Pacific Development Limited. Silver Pacific International Limited is wholly-owned by Mr. Lei Hong Wai. Silver Pacific Development Limited is owned as to 50% by Mr. Cheung Kwok Wai, Elton and as to 50% by the Vendor.

b. the share options

Name of Director	Capacity	Number of share options held	Number of underlying Shares
Mr. Lei Hong Wai	Beneficial owner	950	950
Mr. Chan Kin Wah, Billy	Beneficial owner	5,472,391	5,472,391

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
Twin Success	*1*	Beneficial owner	105,708,000	19.30%
Silver Pacific International Limited	*1 and 2*	Held by controlled corporation	105,708,000	19.30%
Silver Pacific Development Limited	*1 and 3*	Held by controlled corporation	105,708,000	19.30%
Mr. Lei Hong Wai	*1 and 2*	Held by controlled corporations	105,708,000	19.30%
Mr. Cheung Kwok Wai, Elton	*1 and 3*	Held by controlled corporations	105,708,000	19.30%
The Vendor	*1 and 3*	Held by controlled corporations	105,708,000	19.30%

Name of Shareholder	*Notes*	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Asia Vest Partners VII Limited	*4*	Held by controlled corporations	32,373	9.95%
Asia Vest Partners X Limited	*4*	Held by controlled corporations	32,373	9.95%
Asia Vest Partners Limited	*4*	Held by controlled corporations	32,373	9.95%
Mr. Andrew Nam Sherrill	*4*	Held by controlled corporations	32,373	9.95%

Notes:

1. Twin Success is owned as to 50% by Silver Pacific International Limited and as to 50% by Silver Pacific Development Limited.

2. Silver Pacific International Limited is wholly-owned by Mr. Lei Hong Wai.

3. Silver Pacific Development Limited is owned as to 50% by Mr. Cheung Kwok Wai, Elton and as to 50% by the Vendor.

4. The number of issued Shares held was adjusted for the capital reorganisation of the Company that became effective on 2 May 2008, 23 April 2009 and 9 May 2012.

b. the share options

Name of Shareholder	Capacity	Number of share options held	Number of underlying Shares
Mr. Lei Hong Wai	Beneficial owner	950	950

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

Save and except for the interest of the Vendor and his associates in the S&P Agreement, 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.

Save and except for the Vendor and his associates, 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 2013, 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, save as disclosed below, neither the Group was 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.

(a) On 15 April 2010, a claim was brought by China Finance in High Court Action No. 526 of 2010 against Rexdale, for failing to pay a service fee in the sum of HK$25,000,000 to China Finance. No provision for the claim was made in the audited consolidated financial statements of the Group for the year ended 31 December 2013 as Lafe Corporation Limited has undertaken to indemnify and keep indemnified the Group against any and all losses, claims, damages, penalties, actions, demands, proceeding, judgment and costs arising from or in connection with the claim.

(b) On 20 March 2014, the Board announced that it came to the attention of the Company that the Writ of summons in High Court Action No. 9 of 2014 was issued by The Grande Holdings Limited (in liquidation), Roderick John Sutton (as joint and several provisional liquidator of The Grande Holdings Limited), Fok Hei Yu (as joint and several provisional liquidator of The Grande Holdings Limited) and 65 other companies listed as plaintiffs against 25 defendants inclusive of One Synergy.

The action alleges, inter alia, that One Synergy is liable to the plaintiffs as a constructive trustee and/or by way of equitable compensation and/or an accounts of profits and/or restitution and/or damages as a knowing recipient and/or by reason of the knowing or dishonest assistance in the breaches of trust and/or breaches of fiduciary duties by various of the defendants and/or by reason of dealings between One Synergy and the plaintiffs otherwise being voidable (and avoided), void, unlawful or illegal, in respect of its receipt of the shares in The Grande Properties Ltd (now known as Rexdale).

The Purchaser acquired the entire issued share capital of Adelio Holdings Limited, which is the holding company of One Synergy, from Vartan Holdings Limited, an independent third party, pursuant to a sale and purchase agreement dated 25 May 2011. One Synergy acquired the entire issued share capital of Rexdale from Lafe Corporation Limited, being one of the defendants, pursuant the Agreement. The entire issued share capital of Rexdale was sold by The Grande (Nominees) Ltd., being one of the plaintiffs, and The Grand Limited to Lafe Corporation Limited on or about 29 June 2007. The principal assets of Rexdale were the Kwun Tong Properties. The Kwun Tong Properties was sold by Rexdale to Grand Reward Limited, an independent third party, in July 2013.

One Synergy has sought counsel opinion on the Writ and has been advised to defend the plaintiffs' claim in the said action. Counsel has advised that, based upon available evidence, there is nothing unusual in the Agreement and One Synergy would not have any express or constructive notice of the plaintiffs' alleged irregularities and/or fraudulent acts of the former directors and/or management officers of the plaintiffs and One Synergy should not be held liable to any part of the plaintiffs' claim and has good and valid defence thereto.

7. SERVICES CONTRACTS

As at the Latest Practicable Date, no Directors had entered into any services 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**
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Donvex Capital	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

Each of HLB Hodgson Impey Cheng Limited and Donvex Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, references to its name and/or its advice in the form and context in which it appears.

9. EXPERTS' INTERESTS IN ASSETS

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

(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 is proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013, 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 Level 22, Hopewell Centre, 183 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.

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:

(a) the conditional sale and purchase agreement dated 16 October 2012 and entered into between the Purchaser as vendor and Ms. Tan Ting Ting as purchaser relating to the sale and purchase of the entire issued share capital of Dynamic Eagle Investments Limited at a consideration of HK$686,000;

(b) the binding preliminary sale and purchase agreement dated 20 November 2012 and entered into between Rexdale as vendor, and Grand Reward Limited as purchaser relating to a disposed of the Kwun Tong Properties at a consideration of HK$586,000,000;

(c) a confirmation dated 20 November 2012 and signed by Simple View Investment Limited, a wholly owned subsidiary of the Company, for electing to receive the bonus convertible bonds in lieu of all of its entitlement to the bonus shares under the bonus issue of shares and bonus convertible bonds to fulfill the minimum public float as announced by China Star on 20 November 2012;

(d) a confirmation dated 20 November 2012 and signed by Victory Peace Holdings Limited, a wholly owned subsidiary of the Company, for electing to receive the bonus convertible bonds in lieu of all of its entitlement to the bonus shares under the bonus issue of shares and bonus convertible bonds to fulfill the minimum public float as announced by China Star on 20 November 2012;

(e) the placing agreement dated 14 January 2013 and entered into between the Company and Kingston Securities Limited, pursuant to which the Company has conditionally agreed to place, through Kingston Securities Limited on a best effort basis, a maximum of 47,000,000 new Shares to not fewer than six independent investors at a price of HK$0.645;

(f) the underwriting agreement dated 13 March 2013 and entered into between the Company, Kingston Securities Limited and Twin Success in relation to the underwriting arrangement in respect of proposed issue of not less than 152,224,414 new Shares and not more than 152,432,572 new Shares by way of open offer to the qualifying Shareholders for subscription at a price of HK$1.20 per new Share on the basis of one new Share for every two existing Shares held on 5 April 2013;

(g) the conditional subscription agreement dated 21 March 2013 and entered into between New Cove Limited, a wholly owned subsidiary of the Company, as subscriber and EDS Wellness as issuer relating to the subscription of the convertible bonds in the principal amount of HK$40,000,000;

(h) the sale and purchase agreement dated 6 June 2013 and entered into between the Purchaser as vendor and Mason Capital Limited as purchaser relating to sale and purchase of the entire issued share capital of East Legend Properties Limited and the shareholder's loan due by East Legend Properties Limited at a consideration of HK$12,505,431;

(i) the sale and purchase agreement dated 6 June 2013 and entered into between the Purchaser as vendor and Mason Capital Limited as purchaser relating to sale and purchase of the entire issued share capital of Goway Properties Limited and the shareholder's loan due by Goway Properties Limited at a consideration of HK$12,489,911;

(j) the supplemental agreement dated 4 July 2013 and entered into between Rexdale and Grand Reward Limited in relation to amending certain terms of the binding preliminary sale and purchase agreement to effect Rexdale no longer be required to deliver vacant possession of all units of the Kwun Tong Properties on completion;

(k) the placing agreement dated 3 October 2013 and entered into between Eternity Finance Group Limited ("**Eternity Finance**"), a wholly owned subsidiary of the Company, and Kingston Securities Limited, pursuant to which Eternity Finance has conditionally agreed to place, through Kingston Securities Limited on a best effort basis, 1,136,363,636 shares in China Star to independent investors at a price of HK$0.135 per share;

(l) the letter of extension dated 30 October 2013 and entered into between New Cove Limited and EDS Wellness relating to extending the long stop date of the conditional subscription agreement dated 21 March 2013 from 31 October 2013 to 30 June 2014;

(m) the irrevocable undertaking dated 5 November 2013 given by Eternity Finance to China Star and Kingston Securities Limited (i) not to exercise its conversion rights attached to the convertible bonds in the principal of HK$225,000,000 issued by China Star to the close of business on 25 November 2013, being the record date for determining the entitlement to the open offer as announced by China Star on 5 November 2013; and (ii) the convertible bonds in the principal of HK$225,000,000 registered in the name of and beneficially owned by Eternity Finance will remain registered in the name of and beneficially owned by Eternity Finance from 5 November 2013, being the date of underwriting agreement to the record date;

(n) the supplemental agreement date 18 November 2013 and entered into between Eternity Finance, China Star, Kingston Securities Limited and Heung Wah Keung Family Endowment Limited relating to change the record date for the open offer as announced by China Star on 5 November 2013 from 25 November 2013 to 31 December 2013;

(o) the supplemental agreement dated 31 December 2013 and entered into between the Company and China Star relating to the further extension of completion date of the second tranche subscription of the convertible bonds of HK$300,000,000 pursuant to the conditional subscription agreement dated 21 January 2011 from 31 December 2013 to 31 December 2015;

(p) the placing agreement dated 20 February 2014 and entered into between the Company and Kingston Securities Limited, pursuant to which the Company has conditionally agreed to place, through Kingston Securities Limited on a best effort basis, up to 91,000,000 new Shares to not fewer than six independent investors at a price of HK$0.78 per Share;

(q) the S&P Agreement;

(r) the Deed of Variation 1;

(s) the conditional sale and purchase agreement dated 30 May 2014 and entered into between the Purchaser as vendor and Mr. Ng Cheuk Fai as purchaser relating to the sale and purchase of the entire issued share capital of Rich Daily Group Limited at a consideration of HK$2,000,000;

(t) the irrevocable undertaking dated 25 June 2014 given by New Cove Limited, a wholly owned subsidiary of the Company, to ESD Wellness and Kingston Securities Limited (i) to convert the convertible bonds in the principal amount of HK$25,000,000 into 25,000,000 new shares in EDS Wellness before the commencement of the book close period of the open offer as announced by EDS Wellness on 25 June 2014; (ii) not to convert the remaining balance of the convertible bonds in the principal amount of HK$15,000,000 into 15,000,000 new shares in EDS Wellness before the record date for the open offer; (iii) to subscribe for or procure the subscription for 12,500,000 new shares in EDS Wellness to be allotted to it under its entitlement pursuant to the open offer; and (iv) to lodge the application form(s) in respect of the 12,500,000 new shares in EDS Wellness accompanied by the appropriate remittances which shall be honoured on first presentation prior to the latest time for acceptance under the open offer; and

(u) the Deed of Variation 2.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and 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 2012 and 2013;

(c) the accountants' report of the Target Company as set out in Appendix II to this circular;

(d) the letter from HLB Hodgson Impey Cheng Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(e) the written consents referred to in the paragraph headed "Experts and Consents" to this Appendix;

(f) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 31 to 36 of this circular;

(g) the letter of advice from Donvex Capital, the text of which is set out on pages 37 to 64 of this circular;

(h) the material contracts referred to in the paragraph headed "Material Contracts" to this Appendix; and

(i) this circular.

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 (the "**Meeting**") of Eternity Investment Limited (the "**Company**") will be held at Macau Jockey Club, 1/F Function Room, 1st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Friday, 10 October 2014 at 10:00 a.m. for the purposes of considering and, if thought fit, passing with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the conditional sale and purchase agreement dated 1 April 2014 (the "**S&P Agreement**") (as varied by the deeds of variation dated 25 April 2014 and 19 September 2014) between Riche (BVI) Limited, a wholly-owned subsidiary of the Company as purchaser and Cheung Kwok Fan, as vendor in relation to the entire issued share capital of Thought Diamond International Limited together with all the interests, benefits and rights of and in the interest free shareholder's loan owed by Thought Diamond International Limited to Cheung Kwok Fan on completion, which as at 31 March 2014, amounted to HK$45,252,928, a copy of the S&P Agreement is tabled at the Meeting, marked "A" and initialed by the chairman of the Meeting for identification, and the transactions contemplated thereunder (the "**Acquisition**") be and is hereby approved, confirmed and ratified;

and

(b) any one director of the Company be and is hereby authorised for and on behalf of the Company to sign and execute under seal all such documents and to do all such acts or things incidental to, ancillary to or in connection with the Acquisition as he may deem necessary."

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

Hong Kong, 23 September 2014

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 member entitled to attend and vote at the Meeting is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited at Level 22, Hopewell Centre, 183 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 Meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he/she/it so wish and in such event, the form of proxy shall be deemed to be revoked.

3. In the case of joint holders of shares, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share(s) as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share(s) shall alone be entitled to vote in respect thereof.