



ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

2011

Interim Report





Contents

	<i>Page</i>
Corporate Information	2
Condensed Consolidated Income Statement	3
Condensed Consolidated Statement of Comprehensive Income	5
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Changes in Equity	8
Condensed Consolidated Statement of Cash Flows	9
Notes to the Condensed Consolidated Financial Statements	10
Independent Review Report	26
Management Discussion and Analysis	28
Additional Information Required by the Listing Rules	36

Corporate Information

Board of Directors

Executive directors

Mr. Lei Hong Wai (*Chairman*)
Mr. Cheung Kwok Wai, Elton
Mr. Chan Kin Wah, Billy

Independent non-executive directors

Mr. Tang Chak Lam, Gilbert
Mr. Hung Hing Man
Mr. Wan Shing Chi

Company Secretary

Mr. Chan Kin Wah, Billy

Audit Committee

Mr. Tang Chak Lam, Gilbert
Mr. Hung Hing Man
Mr. Wan Shing Chi

Remuneration Committee

Mr. Lei Hong Wai
Mr. Tang Chak Lam, Gilbert
Mr. Wan Shing Chi

Nomination Committee

Mr. Lei Hong Wai
Mr. Tang Chak Lam, Gilbert
Mr. Wan Shing Chi

Finance Committee

Mr. Chan Kin Wah, Billy
Mr. Hung Hing Man

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

Unit 3811
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

Principal Share Registrar and Transfer Office

HSBC Securities Services (Bermuda)
Limited

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited

Auditors

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Principal Bankers

Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong)
Limited

Stock Code

764

Website

www.eternityinv.com.hk

E-mail Address

enquiry@eternityinv.com.hk

Interim Results

The board of directors (the “Board”) of Eternity Investment Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011 together with the comparative figures for 2010 as follows:

Condensed Consolidated Income Statement

	Notes	Six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Turnover	3	45,074	32,784
Cost of sales		—	(363)
Gross profit		45,074	32,421
Other revenue and other income	4	3,328	6,831
Administrative expenses		(11,304)	(5,673)
Loss arising on change in fair value of financial assets at fair value through profit or loss	15	(15,454)	(15,136)
Gain arising on change in fair value of conversion options embedded in convertible note receivable		—	1,525
Gain on early repayment of promissory note receivable		—	64,627
Gain on early repayment of convertible notes receivable		—	75,962
Gain on change in fair value of derivative financial instrument		—	1,574
Loss on deemed disposal of an associate		—	(106,133)
Reversal of impairment loss/ (impairment loss recognised) in respect of intangible assets	11	47,691	(4,856)
Share of results of associates		—	(14,404)
Profit from operations	5	69,335	36,738
Finance costs	6	—	(2,656)

Condensed Consolidated Income Statement (Continued)

	Notes	Six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Profit before taxation		69,335	34,082
Income tax (expense)/credit	7	(5,723)	942
Profit for the period		63,612	35,024
Profit attributable to owners of the Company		63,612	35,024
Interim dividend	8	—	35,198
Earnings per share	9		
— Basic (2010: restated)		HK5.69 cents	HK15.48 cents
— Diluted (2010: restated)		HK5.69 cents	HK15.46 cents

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

Condensed Consolidated Statement of Comprehensive Income

			Six months ended 30 June	
	<i>Note</i>	2011	2010	
		HK\$'000	HK\$'000	
		(Unaudited)	(Unaudited)	
Profit for the period		63,612	35,024	
Other comprehensive income for the period (after tax):				
Loss arising on change in fair value of available-for-sale financial assets	12	(38,616)	—	
Share of exchange reserve change of associates		—	(83)	
Total comprehensive income for the period		24,996	34,941	
Profit attributable to owners of the Company		24,996	34,941	

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

Condensed Consolidated Statement of Financial Position

	Notes	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	743	1,441
Intangible assets	11	382,372	334,681
Available-for-sale financial assets	12	65,296	53,892
		448,411	390,014
Current assets			
Trade receivables	13	7,568	5,859
Deposits, prepayments and other receivables	14	89,712	2,456
Financial assets at fair value through profit or loss	15	65,948	9,418
Tax recoverable		32	32
Cash and cash equivalents		848,299	989,625
		1,011,559	1,007,390
Total assets		1,459,970	1,397,404
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	16	13,224	11,021
Reserves		1,385,813	1,333,642
Total equity		1,399,037	1,344,663

Condensed Consolidated Statement of Financial Position (Continued)

	Notes	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
LIABILITIES			
Current liabilities			
Accruals and other payables		13,341	10,872
Trade deposits received		477	477
Tax payable		1,230	1,230
		15,048	12,579
Non-current liabilities			
Deferred taxation		45,885	40,162
Total liabilities		60,933	52,741
Total equity and liabilities		1,459,970	1,397,404
Net current assets		996,511	994,811
Total assets less current liabilities		1,444,922	1,384,825

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

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2011

Attributable to owners of the Company

	Share capital	Share premium	Capital reserve	Contributed surplus	Share- based payment reserve	Convertible notes reserve	Available- for-sale financial assets revaluation reserve	Exchange reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2010	1,881	114,380	19,844	568,022	35,779	17,346	-	(35)	613,827	1,371,044
Issue of new shares	264	13,729	-	-	-	-	-	-	-	13,993
Release on loss of significant influence over an associate	-	-	-	-	-	-	-	35	-	35
Share of reserve of associates	-	-	-	-	1,610	-	-	-	-	1,610
Share-based payment expenses	-	-	-	-	2,310	-	-	-	-	2,310
Exercise of share options	151	11,792	-	-	(2,558)	-	-	-	-	9,384
Total comprehensive income for the period	-	-	-	-	-	-	-	(83)	35,024	34,941
At 30 June 2010	2,296	139,901	19,844	568,022	37,140	17,346	-	(83)	648,851	1,433,317
At 1 January 2011	11,021	482,493	19,844	534,959	12,158	-	-	-	284,188	1,344,663
Issue of new shares	2,203	27,175	-	-	-	-	-	-	-	29,378
Release on lapse of share options	-	-	-	-	(2,310)	-	-	-	2,310	-
Total comprehensive income for the period	-	-	-	-	-	-	(38,616)	-	63,612	24,996
At 30 June 2011	13,224	509,668	19,844	534,959	9,848	-	(38,616)	-	350,110	1,399,037

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Net cash generated from operating activities	27,247	5,356
Net cash (used in)/generated from investing activities	(197,951)	335,847
Net cash generated from financing activities	29,378	27,341
Net (decrease)/increase in cash and cash equivalents	(141,326)	368,544
Effect on foreign exchange rate	—	(64)
Cash and cash equivalents at beginning of period	989,625	275,802
Cash and cash equivalents at end of period	848,299	644,282
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents at end of period	848,299	644,282

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011

1. Basis of Preparation

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

The Interim Financial Statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2010.

The Interim Financial Statements have been prepared on the historical cost basis, except for intangible assets and financial instruments classified as available-for-sale financial assets and financial assets at fair value through profit or loss, which are measured at fair values.

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2010.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the “new and revised HKFRSs”), which are effective for the Group’s accounting period beginning 1 January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised HKFRSs has no material effect on the Interim Financial Statements for the current or prior accounting period.

Notes to the Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2011

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (Revised 2011)	Employee Benefits ⁴
HKAS 27 (Revised 2011)	Separate Financial Statements ⁴
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ⁴
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 “Financial Instruments” addresses the classification, measurement and derecognition of financial assets and liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the Group’s accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held of trading. Fair value gains and losses on available-for-sale investments, for example, will therefore have to be recognised directly in profit or loss instead of other comprehensive income.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 “Financial Instruments: Recognition and Measurement” and have not been changed. The Group has not yet decided when to adopt HKFRS 9.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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

for the six months ended 30 June 2011

3. Operating Segments

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. On first-time adoption of HKFRS 8 “Operating Segments” and in a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following four reportable segments. No operating segments have been aggregated to form the following reportable segments:

- distribution segment distributes of films;
- sub-licensing segment sub-licenses of film rights;
- provision of management services segment provides management services to concierge departments of gaming promoters appointed by Macau casinos; and
- sales of financial assets segment sells and purchases of financial assets at fair value through profit or loss.

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the Interim Financial Statements have been prepared in a manner consistent with the information used by the Group’s most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regards, the Group’s most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- (i) Segment assets include all tangible, intangible assets and current assets. Segment liabilities include deferred taxation, tax payable, trade deposits received, accruals and other payables attributable to the sales activities of the individual segments and interest-bearing borrowings managed directly by the segments.
- (ii) Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Notes to the Condensed Consolidated Financial Statements (Continued)
for the six months ended 30 June 2011

3. Operating Segments (Continued)

(a) Segment results, assets and liabilities (Continued)

Information regarding the Group's segments as provided to the Group's most senior executive management for the purpose of resource allocation and assessment of segment performance for the period is set out below.

Six months ended 30 June 2011

	Distribution HK\$'000 (Unaudited)	Sub-licensing HK\$'000 (Unaudited)	Sales of financial assets HK\$'000 (Unaudited)	Provision of management services HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Revenue						
Revenue from external customers	-	-	-	45,074	-	45,074
Results						
Segment results for reportable segments	-	-	-	45,074	-	45,074
Other revenue and other income						3,328
Administrative expenses						(11,304)
Profit before taxation						37,098
Income tax expense						(5,723)
Profit for the period attributable to owners of the Company (excluding major non-cash items)						31,375
Major non-cash items						
- Loss arising on change in fair value of financial assets at fair value through profit or loss						(15,454)
- Reversal of impairment loss in respect of intangible assets						47,691
						63,612
Segment assets	403	-	90,658	390,342	978,567	1,459,970
Segment liabilities	477	-	3,226	46,119	11,111	60,933

Notes to the Condensed Consolidated Financial Statements (Continued)
for the six months ended 30 June 2011

3. Operating Segments (Continued)

(a) Segment results, assets and liabilities (Continued)

Six months ended 30 June 2010

	Distribution HK\$'000 (Unaudited)	Sub-licensing HK\$'000 (Unaudited)	Sales of financial assets HK\$'000 (Unaudited)	Provision of management services HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Revenue						
Revenue from external customers	–	–	(2,132)	34,916	–	32,784
Results						
Segment results for reportable segments	–	–	(2,132)	34,553	–	32,421
Other revenue and other income						6,831
Administrative expenses						(5,673)
Finance costs						(2,656)
Share of results of associates						(14,404)
Profit before taxation						16,519
Income tax credit						942
Profit for the period attributable to owners of the Company (excluding major non-cash items)						17,461
Major non-cash items						
– Gain arising on change in fair value of conversion options embedded in convertible note receivable						1,525
– Gain on early repayment of promissory note receivable						64,627
– Gain on early repayment of convertible notes receivable						75,962
– Gain on change in fair value of derivative financial instrument						1,574
– Impairment loss recognised in respect of intangible assets						(4,856)
– Loss on deemed disposal of an associate						(106,133)
– Loss arising on change in fair value of financial assets at fair value through profit or loss						(15,136)
						35,024
Segment assets	1,620	–	91,325	339,789	1,113,073	1,545,807
Segment liabilities	–	–	–	31,434	81,056	112,490

Notes to the Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2011

3. Operating Segments (Continued)

(b) Geographical segments – Turnover

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Hong Kong	—	(2,132)
Macau	45,074	34,916
	45,074	32,784

4. Other Revenue and Other Income

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Other revenue		
Interest income on bank deposits	3,327	232
Dividend income	—	2,542
Sundry income	1	10
	3,328	2,784
Other income		
Imputed interest income on:		
– convertible notes receivable	—	527
– promissory note receivable	—	3,520
	—	4,047
	3,328	6,831

Notes to the Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2011

5. Profit from Operations

Profit from operations has been arrived at after charging:

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Depreciation of property, plant and equipment	113	211
Share-based payment expenses in respect of consultancy services	—	671
Staff costs including directors' emoluments:		
— salaries and other allowances	1,697	670
— contributions to retirement benefits scheme	36	18
— share-based payment expenses	—	1,639

6. Finance Costs

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Imputed interest expense on convertible note payable	—	2,656

7. Income Tax (Expense)/Credit

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Deferred taxation (expense)/credit	(5,723)	942

No provision for Hong Kong Profits Tax or Macau Complementary Profits Tax has been made for the six months ended 30 June 2011 (2010: Nil) since the Group has no estimated assessable profits or its estimated assessable profit is wholly absorbed by the estimated tax losses brought forward.

The deferred tax expense of HK\$5,723,000 represented the reversal of impairment loss on intangible assets (2010: credit of HK\$801,000) and no deferred tax credit on imputed interest expense for convertible note payable (2010: credit of HK\$141,000).

Notes to the Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2011

8. Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2011 (2010: HK\$0.03 per share).

9. Earnings Per Share

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	63,612	35,024

	Number of ordinary shares	
	'000	'000
		(Restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,118,021	226,234
Effect of dilutive potential ordinary shares:		
Share options	—	297
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,118,021	226,531

Diluted earnings per share for the six months ended 30 June 2011 was same as the basic earnings per share. The Company's outstanding share options were not included in the calculation of diluted earnings per share because the exercise of the Company's outstanding share options would result in an increase in earnings per share and was anti-dilutive.

The calculation of diluted earnings per share for the six months ended 30 June 2010 did not assume the conversion of the convertible note payable because the conversion would result in an increase in earnings per share and was anti-dilutive.

The calculation of earnings per share for the six months ended 30 June 2010 has adjusted for the rights issue as completed on 29 September 2010.

Notes to the Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2011

10. Property, Plant and Equipment

	<i>HK\$'000</i> (Unaudited)
Cost:	
At 1 January 2011	6,175
Written off	(585)
At 30 June 2011	5,590
Accumulated depreciation:	
At 1 January 2011	4,734
Charged for the period	113
At 30 June 2011	4,847
Carrying amounts:	
At 30 June 2011	743

11. Intangible Assets

	<i>HK\$'000</i> (Unaudited)
Cost:	
At 1 January 2011 and 30 June 2011	456,857
Accumulated impairment:	
At 1 January 2011	122,176
Reversal of impairment loss	(47,691)
At 30 June 2011	74,485
Carrying amounts:	
At 30 June 2011	382,372

The intangible assets represent the carrying amounts of services agreements held by the Group. The intangible assets have indefinite useful lives and no amortisation has been made.

Notes to the Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2011

11. Intangible Assets (Continued)

For the six months ended 30 June 2011, the directors of the Company reassessed the recoverable amounts of the services agreements with reference to the valuation performed by Grant Sherman Appraisal Limited, an independent firm of professional valuers and, in light of the consistent growth in services fee income and the constant strong growth in Macau VIP gaming revenue, recognised a reversal of impairment loss on intangible assets of HK\$47,691,000 (2010: impairment loss recognised HK\$4,856,000).

The recoverable amounts of the services agreements were assessed by reference to value-in-use calculation. A discount rate of 22.27% per annum (for the year ended 2010: 21.23% per annum) was applied in the value-in-use model which uses cash flow projections based on financial forecasts approved by the directors of the Company covering a five-year period. There are a number of assumptions and estimates involved for the preparation of the cash flow projections for the period covered by the forecast. Key assumptions include gross margin and growth rate which are determined by the management of the Group based on its expectation for market development. The discount rate used is pre-tax and reflects specific risks relating to the industry.

12. Available-for-sale Financial Assets

	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
Listed equity securities — Hong Kong, at fair value		
At 1 January	53,720	—
Reclassification from interest in an associate	—	68,000
Additions	50,020	—
Loss arising on change in fair value	(38,616)	(14,280)
	65,124	53,720
Club debenture	172	172
	65,296	53,892

Notes to the Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2011

13. Trade Receivables

The following is an aged analysis of trade receivables net of impairment loss at the reporting date:

	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
0 – 30 days	7,568	5,859

The Group allows an average credit period of 30 days to its customers. The carrying amounts of trade receivables approximate to their fair values.

14. Deposits, Prepayments and Other Receivables

	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
Deposits (note)	88,187	879
Prepayments	24	360
Other receivables	1,501	1,217
	89,712	2,456

Note:

Deposits as at 30 June 2011 included the deposit of HK\$45,000,000 paid to Vartan Holdings Limited for the proposed acquisition of the entire issued share capital of Adelio Holdings Limited and the deposit of HK\$42,450,000 paid to Citadines Ashley TST (Singapore) Pte. Limited for the proposed acquisition of the entire issued shares capital of Citadines Ashley TST (Hong Kong) Limited and Citadines Ashley TST Management (Hong Kong) Limited.

Notes to the Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2011

15. Financial Assets at Fair Value Through Profit or Loss

	At 30 June 2011 <i>HK\$'000</i> (Unaudited)	At 31 December 2010 <i>HK\$'000</i> (Audited)
Investments held-for-trading:		
Listed equity securities — Hong Kong, at fair value		
At 1 January	7,650	—
Additions	71,984	22,786
Loss arising on change in fair value	(13,946)	(15,136)
	65,688	7,650
Listed derivatives — Hong Kong, at fair value		
At 1 January	1,768	—
Additions (<i>note</i>)	—	1,768
Loss arising on change in fair value	(1,508)	—
	260	1,768
	65,948	9,418

Note:

During the six months ended 30 June 2010, 136,000,000 bonus warrants were issued to the Group pursuant to the bonus issue of warrants by China Star Entertainment Limited (“CSEL”) to its shareholders on the basis of one bonus warrant for every five existing shares held on 8 June 2010.

Notes to the Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2011

16. Share Capital

	Number of ordinary shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each (2010: HK\$0.01 each)		
<i>Authorised:</i>		
At 1 January 2011 and 30 June 2011	2,000,000	20,000
<i>Issued and fully paid:</i>		
At 1 January 2011	1,102,112	11,021
Issuance of new shares (note)	220,280	2,203
At 30 June 2011	1,322,392	13,224

Note:

On 17 June 2011, 220,280,000 new ordinary shares of HK\$0.01 each were allotted and issued at a price of HK\$0.135 per share by way of a top-up placing under general mandate. The net proceeds of HK\$29,378,000 were intended to be used for financing the proposed acquisition of the entire issued share capital of Adelio Holdings Limited as announced by the Company on 2 June 2011.

Notes to the Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2011

17. Commitments

Lease commitments – as lessee

At 30 June 2011, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
Within one year	1,936	2,459
In the second to fifth year inclusive	—	706
	1,936	3,165

Operating lease payments represented rentals payable by the Group for its office premises. Leases are mainly negotiated for an average term of two years and rentals are fixed for an average of two years.

Capital commitments

At 30 June 2011, the Group had the following material capital commitments:

	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
Commitment for the subscription of convertible bonds to be issued by CSEL	650,000	—
Commitment for the proposed acquisition of the entire issued share capital of Adello Holdings Limited	222,600	—
Commitment for the proposed acquisition of the entire issued share capital of Citadines Ashley TST (Hong Kong) Limited and Citadines Ashley TST Management (Hong Kong) Limited	240,550	—
	1,113,150	—

Notes to the Condensed Consolidated Financial Statements (Continued)

for the six months ended 30 June 2011

18. Material Related Party Transactions

Save as disclosed elsewhere in the Interim Financial Statements, the Group had entered into the following material related party transactions:

(a) Material transactions with related parties

During the period, the Group had the following material transactions with related parties which are carried out on normal commercial terms and in the ordinary course of the Group's business:

Name of company	Nature of transactions	Six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
	<i>Received or receivable from:</i>		
上海昇平文化發展有限公司	— loan repaid to the Group	—	155,536
China Star Film Group Limited	— dividend income	—	2,542
(now known as KH Investment Holdings Limited)	— convertible notes repaid to the Group	—	100,000
	— promissory note repaid to the Group	—	100,000

(b) Compensation for key management personnel

Remuneration for key management personnel, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Salaries and allowances	1,190	230
Contribution to retirement benefits scheme	15	3
Share-based payment expenses	—	168



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

for the six months ended 30 June 2011

19. Events After the Reporting Period

Subsequent to 30 June 2011 and up to the date of the Interim Financial Statements, the Group had following material events:

- (a) On 7 July 2011, Wingo Consultants Limited, a wholly-owned subsidiary of the Company, subscribed for the first tranche of the convertible bonds of HK\$350,000,000 issued by CSEL pursuant to the conditional subscription agreement dated 21 January 2011 and entered into between the Company and CSEL.
- (b) On 15 August 2011, the open offer of 6,611,960,980 new shares to the qualifying shareholders of the Company on the basis of five new shares for every one existing share held on 25 July 2011 at HK\$0.04 per new share was completed.

20. Approval of Interim Financial Statements

The Interim Financial Statements were approved and authorised for issue by the Board on 29 August 2011.



Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

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

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 3 to 25, which comprise the condensed consolidated statement of financial position of Eternity Investment Limited and its subsidiaries as of 30 June 2011 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-months period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and fair presentation of this financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this financial information based on our review and to report our conclusion solely to you, as a body in accordance with our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information does not present fairly, in all material respects, in accordance with HKAS 34 “Interim Financial Reporting”.

HLB Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

Hong Kong, 29 August 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Results of operations

During the six months ended 30 June 2011, the Group recorded a revenue of HK\$45,074,000, a 37% increase from HK\$32,784,000 for the same period of the previous year. This increase was mainly attributable to the increase in services fee income generated from provision of management services business. Profit for the six months ended 30 June 2011 amounted to HK\$63,612,000, a 82% increase from HK\$35,024,000 for the correspondence period in 2010. This increase was mainly attributable to the recognition of a reversal of impairment loss on intangible assets of HK\$47,691,000.

No cost of sales was recorded for the six months ended 30 June 2011 as the Group has ceased to operate the concierge services centre at Shun Tak Centre in order to improve its cost structure.

Other revenue and other income decreased by 51% from HK\$6,831,000 in the six months ended 30 June 2010 to HK\$3,328,000 in the six months ended 30 June 2011. This was mainly attributable to no imputed interest income as China Star Film Group Limited (now known as KH Investment Holdings Limited) repaid the convertible notes receivable of HK\$100,000,000 and the promissory note receivable of HK\$100,000,000 in May 2010.

Administrative expenses (before depreciation) amounted to HK\$11,191,000 for the six months ended 30 June 2011, a 105% increase from HK\$5,462,000 for the same period of the previous year. This significant increase was mainly attributable to the increase in legal and professional fees resulted from increased corporate activities in acquisitions.

The directors reassessed the recoverable amounts of management services agreements held by the Group at 30 June 2011 with reference to the valuations performed by an independent firm of professional valuers and, in light of the consistent growth in services fee income and the constant strong growth in Macau VIP gaming revenue, recognised a reversal of impairment loss on intangible assets of HK\$47,691,000.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Results of operations *(Continued)*

Due to a downturn in Hong Kong equities in the second quarter of 2011, the Group recognised a loss of HK\$15,454,000 arising on change in fair value of financial assets at fair value through profit or loss.

No finance costs were recorded in the six months ended 30 June 2011 as the Group redeemed the convertible note payable of HK\$72,000,000 in July 2010.

The Group recorded an income tax expense of HK\$5,723,000 which represents the deferred tax expense on reversal of impairment loss on intangible assets recognised in the six months ended 30 June 2011.

Liquidity and financial resources

During the six months ended 30 June 2011, the 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\$1,344,663,000 at 31 December 2010 to HK\$1,399,037,000 at 30 June 2011.

At 30 June 2011, the cash and cash equivalents of the Group amounted to HK\$848,299,000 (31 December 2010: HK\$989,625,000).

At 30 June 2011, the Group had no borrowings (31 December 2010: Nil).

Net current assets and current ratio

At 30 June 2011, the Group's net current assets and current ratio were HK\$996,511,000 (31 December 2010: HK\$994,811,000) and 67.22 (31 December 2010: 80.09), respectively.

Capital structure

On 17 June 2011, the Company issued 220,280,000 new shares at a price of HK\$0.135 per new share by way of a top-up placing under general mandate raising HK\$29,400,000 (net of expenses). The net proceeds from the top-up placing will be used in financing the proposed acquisition of the entire issued share capital of Adelio Holdings Limited as announced by the Company on 2 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Capital structure *(Continued)*

On 7 June 2011, the Company announced the issue of not less than 5,510,560,980 new shares and not more than 6,619,444,395 new shares by way of open offer to the qualifying shareholders of the Company on the basis of five new shares for every one existing share held on 25 July 2011 at a price of HK\$0.04 per new share. The open offer was expected to raise not less than HK\$216,330,000 but not more than HK\$260,680,000 (net of expenses) in additional capital for the Company. The net proceeds will be used in financing the proposed acquisition of the entire issued share capital of Adelio Holdings Limited as announced by the Company on 2 June 2011. The open offer was approved by the shareholders, other than Mr. Lei Hong Wai and Mr. Chan Kin Wah, Billy, both of them are directors, and their respective associates on the special general meeting of the Company held on 14 July 2011. The open offer was completed on 15 August 2011 raising HK\$260,390,000 (net of expenses).

Material acquisitions

On 29 March 2011, the Group signed an irrevocable undertaking to subscribe for 200,000,000 new shares in China Star Entertainment Limited (“China Star”) at a subscription price of HK\$0.25 per new share to which the Group was entitled to under the rights issue as announced by China Star on the same date. The subscription price for the 200,000,000 new shares in China Star amounted to HK\$50,000,000. The reasons for the Group for giving the irrevocable undertaking are to maintain its substantial level of shareholding interest in China Star and facilitate the rights issue for raising additional capital to strengthen China Star’s capital base. The subscription of 200,000,000 new shares in China Star was completed on 29 June 2011.

Material disposals

During the six months ended 30 June 2011, the Group had no material disposals.

Pledge of assets

At 30 June 2011, no assets of the Group were pledged.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Commitments

At 30 June 2011, the Group had the following material commitments:

- (a) a commitment of HK\$650,000,000 in respect of the proposed subscription of the convertible bonds to be issued by China Star in two tranches;
- (b) a commitment of HK\$240,550,000 in respect of the proposed acquisition of the entire issued share capital of Citadines Ashley TST (Hong Kong) Limited (“Citadines TST”) and Citadines Ashley TST Management (Hong Kong) Limited (“Citadines Management”); and
- (c) a commitment of HK\$222,600,000 in respect of the proposed acquisition of the entire issued share capital of Adelio Holdings Limited.

Exchange risk and hedging

During the six months ended 30 June 2011, a majority of the Group’s transactions, assets and liabilities are denominated in Hong Kong dollars. Accordingly, no financial instruments for hedging purposes have been used by the Group.

Contingent liabilities

At 30 June 2011, the Group had no material contingent liabilities.

Employees and remuneration policy

At 30 June 2011, the headcount of the Group was 10 (2010: 9). Staff costs (including directors’ remuneration) amounted to HK\$1,733,000 (2010: HK\$2,327,000). In addition to basic salaries, provident fund and discretionary bonus, staff benefits include medical scheme and share options.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Operations Review

During the six months ended 30 June 2011, no revenue was generated from the Group's film distribution business as the Group was not able to secure quality films at reasonable prices for distribution.

Hong Kong equities fell during a volatile early June 2011 due to concerns over weakening global economic growth, intensified European sovereign debt crises as well as fears of a hard landing in China. Accordingly, the Group recorded an impairment loss of HK\$15,454,000 for its sale of financial assets business in the six months ended 30 June 2011.

During the six months ended 30 June 2011, the Group's provision of management services business generated services fee income amounted to HK\$45,074,000, a 29% increase as compared to the same period of the previous year. This increase was mainly due to a strong growth in Macau VIP gaming revenue in the first half of 2011. The directors believe that such strong growth was led by the increases in bet sizes and income of China citizens. Having performed a cost and benefit analysis, the Group has ceased to operate the concierge services centre at Shun Tak Centre in order to improve its cost structure.

On 21 January 2011, the Company entered into the conditional subscription agreement with China Star relating to the proposed subscription of the convertible bonds in the maximum principal amount of HK\$650,000,000 in two tranches at their face value. The convertible bonds are unsecured, interest bearing at 8% per annum and maturing on the fifth anniversary of the date of their issue. The convertible bonds carry rights entitling the holder thereof to convert their principal amount into shares in China Star at an adjusted conversion price of HK\$0.44 per share (subject to further adjustment). As China Star has diversified its businesses by expanding into property development business in Macau, the directors consider that the subscription of the convertible bonds would enable the Company to participate in the development of China Star and provide the Company with the flexibility to be benefited from the interest income of 8% per annum from the convertible bonds as well as the upside of the share price performance of China Star through conversion of part or whole of the convertible bonds into shares in China Star. The subscription of the convertible bonds of HK\$650,000,000 is financed by internal resources of the Group. The conditional subscription agreement was approved by the shareholders at the special general meeting of the Company held on 30 June 2011. The subscription of the first tranche of the convertible bonds of HK\$350,000,000 was completed on 7 July 2011.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Operations Review *(Continued)*

With a view to improve profitability and diversify revenue sources, the Group re-enters into property investment business by entering into the following two transactions:

- (a) On 4 April 2011, the Group entered into the conditional sale and purchase agreement with Citadines Ashley TST (Singapore) Pte. Ltd., an independent third party, relating to the proposed acquisition of the entire issued share capital of Citadines TST and Citadines Management at a cash consideration of HK\$283,000,000.

The principal asset of Citadines TST is the whole block of “Citadines Ashley Hongkong” located at 18 Ashley Road, Tsimshatsui, Kowloon, Hong Kong (the “Ashley Property”). Citadines Management is a company providing management service to the Ashley Property. The Ashley Property comprises 20-storey, which was built in 1998 with a total gross floor area of 28,338 square feet. The ground floor to 3rd floor are designated for shops and retails purposes. The upper floors are used as serviced apartments with 36 units. The Group currently intends to hold the Ashley Property as a long-term investment for rental purpose. The consideration is financed by the net proceeds from the rights issue as announced by the Company on 28 July 2010.

- (b) On 25 May 2011, the Group entered into the conditional sale and purchase agreement with Vartan Holdings Limited, an independent third party, relating to the proposed acquisition of the entire issued share capital of Adelio Holdings Limited at a cash consideration of HK\$267,600,000.

The principal asset of Adelio Holdings Limited is its indirect wholly-owned subsidiary, namely Rexdale Investment Limited. Rexdale Investment Limited is a property investment company holding the 1st floor, the 6th to 12th floors and 11 car parking spaces of The Grande Building located at 398 Kwun Tong Road, Kowloon, Hong Kong (the “Kwun Tong Property”). The Grande Building is an industrial building comprises 13-storey, which was built in 1981. The Kwun Tong Property has a total gross floor area of 139,412 square feet. It is currently intended by the Group that it will hold the Kwun Tong Property as investment property for resale purpose. The consideration is financed by the net proceeds from the top-up placing under general mandate and the open offer as announced by the Company on 7 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Operations Review *(Continued)*

The two proposed acquisitions are subject to shareholders' approval. As the Group is carrying out due diligence investigations in respect of the subjected companies and preparing the circulars in respect of the proposed acquisitions, the special general meetings of the Company for approving the proposed acquisitions are expected to be held in the second half of 2011.

Future Prospects

For the remainder of 2011, the directors believe that ongoing concerns over weakening global economic growth, intensified European sovereign debt crises, the US government debt and deficit issues and fears of a hard landing in China continue to weigh on global equities. Given the significance of the US sovereign downgrade, markets are likely to remain data sensitive and volatile. As such, the Group will adopt a more conservative investment attitude toward its sale of financial assets business.

Despite the fact that Macau gaming recorded a 49% growth in its VIP segment in the first half of 2011, the directors believe that a tighter China credit market and an uncertainty on the global economic environment may have slowed the VIP revenue growth in the second half. Accordingly, the directors expect that the overall performance of the Group's provision of management services business will report a moderate growth in the second half of 2011.

With a view to improve profitability and diversify revenue sources, the directors have spent considerable effort in expanding into property investment business. During the first half of 2011, the Group entered into two conditional sale and purchase agreements with two independent third parties for acquiring the Ashley Property and the Kwun Tong Property. The proposed acquisitions enable the Group to enjoy a stable rental income flow in the short run and an opportunity for capital gain in the long run. The proposed acquisitions are subject to shareholders' approval and expected to be completed in the second half of this year.

To broaden its business portfolio and revenue sources, the Group obtained the sole and exclusive right and master license relating to establish, operate, manage the franchise business of selling noodles, drinks and related Japanese food products from a Japanese Corporation on 6 July 2011. The sole and exclusive right and master license is for a period of ten years until 14 July 2021 covering the Greater China Region. The directors are formulating a business plan for the franchise business and announcements will be made as and when required pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Future Prospects *(Continued)*

In the second half of 2011, the Group will continue to cautiously monitor the business environment and continue to strengthen its business foundations by focusing on its existing business, implementing prudent cost control strategies and identifying potential investment opportunities to maximize the returns of the Company's shareholders.

Events after the Reporting Period

Subsequent to 30 June 2011, the Group had the following material events:

- (a) On 7 July 2011, Wingo Consultants Limited, a wholly-owned subsidiary of the Company, subscribed for the first tranche of the convertible bonds of HK\$350,000,000 issued by China Star pursuant to the conditional subscription agreement dated 21 January 2011 and entered into between the Company and China Star.
- (b) On 15 August 2011, the open offer of 6,611,960,980 new shares to the qualifying shareholders of the Company on the basis of five new shares for every one existing share held on 25 July 2011 at HK\$0.04 per new share was completed.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2011 (2010: HK\$0.03 per share).

Directors' Interests in Shares and Underlying Shares

At 30 June 2011, the interests of the directors and chief executive of the Company and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

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

Directors	Note	Capacity	Number of issued shares held	Percentage of the issued share capital of the Company
Mr. Lei Hong Wai		Beneficial owner	220,280,000	16.66%
Mr. Cheung Kwok Wai, Elton	1	Other	106,000,000	8.02%
Mr. Chan Kin Wah, Billy		Beneficial owner	1,320,000	0.10%

Note:

1. Mr. Cheung Kwok Wai, Elton is the eldest brother of Mr. Cheung Kwok Fan. Mr. Cheung Kwok Wai, Elton is deemed to be interested in the shares and underlying shares held by Thought Diamond International Limited, which is wholly owned by Mr. Cheung Kwok Fan.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES (Continued)

Directors' Interests in Shares and Underlying Shares (Continued)

Long positions (Continued)

b. Share options

Directors	Capacity	Number of share options held	Number of underlying shares
Mr. Lei Hong Wai	Beneficial owner	83,752	83,752
Mr. Chan Kin Wah, Billy	Beneficial owner	83,752	83,752

c. Derivatives to ordinary shares of HK\$0.01 each of the Company

Directors	Notes	Capacity	Number of derivatives (physically settled)	Number of underlying shares
Mr. Lei Hong Wai	1	Beneficial owner	1,101,400,000	1,101,400,000
Mr. Cheung Kwok Wai, Elton	2	Other	530,000,000	530,000,000

Notes:

1. The derivatives (physically settled) represent the irrevocable undertaking given by Mr. Lei Hong Wai in favour of the Company and Kingston Securities Limited to accept or procure the acceptance for 1,101,400,000 offer shares to be allotted to him under his entitlement pursuant to the open offer as announced by the Company on 7 June 2011.
2. The derivatives (physically settled) represent the irrevocable undertaking given by Thought Diamond International Limited in favour of the Company and Kingston Securities Limited to accept or procure the acceptance for 530,000,000 offer shares to be allotted to Thought Diamond International Limited under its entitlement pursuant to the open offer as announced by the Company on 7 June 2011.

Other than the holdings disclosed above, none of the directors, chief executive and their associates had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 30 June 2011.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES *(Continued)*

Share Option Scheme

The Company adopted its share option scheme on 21 January 2002. The principal terms of the share option scheme were disclosed in the Company's 2010 annual report. Details of movements in the Company's share options during the six months ended 30 June 2011 are set out as follows:

	Type of share options	Number of share options				Outstanding at 30 June 2011
		Outstanding at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	
Directors and chief executive						
Mr. Lei Hong Wai	2002	50,485	—	—	—	50,485
	2007B	33,267	—	—	—	33,267
	2010	1,064,096	—	—	(1,064,096)	—
		1,147,848	—	—	(1,064,096)	83,752
Mr. Chan Kin Wah, Billy	2004	50,485	—	—	—	50,485
	2007B	33,267	—	—	—	33,267
	2010	1,064,096	—	—	(1,064,096)	—
		1,147,848	—	—	(1,064,096)	83,752
Total directors and chief executive		2,295,696	—	—	(2,128,192)	167,504
Employees and consultants						
	2002	151,455	—	—	—	151,455
	2004	242,541	—	—	—	242,541
	2007A	160,701	—	—	—	160,701
	2007B	774,482	—	—	—	774,482
	2010	11,452,338	—	—	(11,452,338)	—
Total employees and consultants		12,781,517	—	—	(11,452,338)	1,329,179
Total		15,077,213	—	—	(13,580,530)	1,496,683
Exercisable at the end of the period						1,496,683

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES *(Continued)*

Share Option Scheme *(Continued)*

Details of specific categories of share options are as follows:

Share option type	Date of grant	Exercise period	Exercise price
2002	8 March 2002	8 March 2002 to 7 March 2012	HK\$244.66
2004	13 December 2004	13 December 2004 to 12 December 2014	HK\$182.54
2007A	22 March 2007	22 March 2007 to 21 March 2017	HK\$44.25
2007B	31 May 2007	31 May 2007 to 30 May 2017	HK\$65.87
2010	13 May 2010	13 May 2010 to 12 May 2011	HK\$0.60

Substantial Shareholders

At 30 June 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

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

Shareholders	Notes	Capacity	Number of issued shares held	Percentage of the issued share capital of the Company
Mr. Lei Hong Wai		Beneficial owner	220,280,000	16.66%
Thought Diamond International Limited	1	Beneficial owner	106,000,000	8.02%
Mr. Cheung Kwok Fan	1	Held by controlled corporation	106,000,000	8.02%
Mr. Cheung Kwok Wai, Elton	2	Other	106,000,000	8.02%
Asia Vest Partners VII Limited	3	Held by controlled corporations	1,294,921	9.95%

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES *(Continued)*

Substantial Shareholders *(Continued)*

Long positions *(Continued)*

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

Shareholders	Notes	Capacity	Number of issued shares held	Percentage of the issued share capital of the Company
Asia Vest Partners X Limited	3	Held by controlled corporations	1,294,921	9.95%
Asia Vest Partners Limited	3	Held by controlled corporations	1,294,921	9.95%
Mr. Andrew Nan Sherrill	3	Held by controlled corporations	1,294,921	9.95%
Kingston Securities Limited	4	Beneficial owner	1	0.00%
Galaxy Sky Investments Limited	4	Held by controlled corporations	1	0.00%
Kingston Capital Asia Limited	4	Held by controlled corporations	1	0.00%
Kingston Financial Group Limited	4	Held by controlled corporations	1	0.00%
Active Dynamic Limited	4	Held by controlled corporations	1	0.00%
Ms. Chu Yuet Wah	4	Held by controlled corporations	1	0.00%

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES *(Continued)*

Substantial Shareholders *(Continued)*

Long positions *(Continued)*

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

Notes:

1. Thought Diamond International Limited, which is wholly owned by Mr. Cheung Kwok Fan.
2. Mr. Cheung Kwok Wai, Elton is the eldest brother of Mr. Cheung Kwok Fan. Mr. Cheung Kwok Wai, Elton is deemed to be interested in the shares and underlying shares held by Thought Diamond International Limited.
3. The number of issued shares held was adjusted for the share consolidation that became effective on 30 April 2008 and 23 April 2009.
4. Kingston Securities Limited is wholly owned by Galaxy Sky Investments Limited which is in turn wholly owned by Kingston Capital Asia Limited. Kingston Financial Group Limited holds the entire interests in Kingston Capital Asia Limited. Kingston Financial Group Limited is 43.68% owned by Active Dynamic Limited in which Ms. Chu Yuet Wah holds the entire interests.

b. Share options

Shareholder	Capacity	Number of share options held	Number of underlying shares
Mr. Lei Hong Wai	Beneficial owner	83,752	83,752

c. Derivatives to ordinary shares of HK\$0.01 each of the Company

Shareholders	Notes	Capacity	Number of derivatives (physically settled)	Number of underlying shares
Kingston Securities Limited	1	Beneficial owner	4,988,044,395	4,988,044,395
Galaxy Sky Investments Limited	1	Held by controlled corporations	4,988,044,395	4,988,044,395
Kingston Capital Asia Limited	1	Held by controlled corporations	4,988,044,395	4,988,044,395
Kingston Financial Group Limited	1	Held by controlled corporations	4,988,044,395	4,988,044,395

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES (Continued)

Substantial Shareholders (Continued)

Long positions (Continued)

c. Derivatives to ordinary shares of HK\$0.01 each of the Company (Continued)

Shareholders	Notes	Capacity	Number of derivatives (physically settled)	Number of underlying shares
Active Dynamic Limited	1	Held by controlled corporations	4,988,044,395	4,988,044,395
Ms. Chu Yuet Wah	1	Held by controlled corporations	4,988,044,395	4,988,044,395
Mr. Lei Hong Wai	2	Beneficial owner	1,101,400,000	1,101,400,000
Thought Diamond International Limited	3	Beneficial owner	530,000,000	530,000,000
Mr. Cheung Kwok Fan	3	Held by controlled corporation	530,000,000	530,000,000
Mr. Cheung Kwok Wai, Elton	3	Other	530,000,000	530,000,000

Notes:

1. The derivatives (physically settled) represent the maximum number of underwritten shares underwritten by Kingston Securities Limited pursuant to the underwriting agreement date 7 June 2011 and entered into between the Company, Kingston Securities Limited, Mr. Lei Hong Wai and Thought Diamond International Limited.
2. The derivatives (physically settled) represent the irrevocable undertaking given by Mr. Lei Hong Wai in favour of the Company and Kingston Securities Limited to accept or procure the acceptance for 1,101,400,000 offer shares to be allotted to him under his entitlement pursuant to the open offer as announced by the Company on 7 June 2011.
3. The derivatives (physically settled) represent the irrevocable undertaking given by Thought Diamond International Limited in favour of the Company and Kingston Securities Limited to accept or procure the acceptance for 530,000,000 offer shares to be allotted to Thought Diamond International Limited under its entitlement pursuant to the open offer as announced by the Company on 7 June 2011.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 30 June 2011.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES *(Continued)*

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Compliance with the Code on Corporate Governance Practices

In the opinion of the Board, the Company had complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2011, except for:

- (a) code provision A.2.1 of the Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lei Hong Wai has taken up the roles of the chairman and the chief executive officer of the Company. Mr. Lei possesses essential leadership skills and has extensive experience in corporate management and business development. The Board is of the view that currently vesting the roles of the chairman and the chief executive officer in the same person provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies; and
- (b) code provision A.4.1 of the Code requires that non-executive directors should be appointed for a specific term, subject to re-election. The term of office for the non-executive directors of the Company is subject to retirement from office by rotation and is eligible for re-election in accordance with the provisions of the Company's bye-laws. At each annual general meeting, one-third of the directors for the time being, (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation. As such, the Company considers that such provision is sufficient to meet the underlying objective of this code provision.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the directors of the Company. All members of the Board have confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2011.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES *(Continued)*

Review of Financial Information

The audit committee has reviewed the 2011 interim report and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 and agreed to the accounting principles and policies adopted by the Company. In addition, the Company's external auditors, Messrs. HLB Hodgson Impey Cheng, have reviewed the unaudited condensed consolidated interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Acknowledgement

On behalf of the Board, I would like to express my gratitude and appreciation to my fellow directors, the management and staff for their dedication, loyalty and contribution. In addition, I would like to thank our shareholders for their continuous support.

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

Hong Kong, 29 August 2011