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)

VERY SUBSTANTIAL ACQUISITION
AND
NOTICE OF SPECIAL GENERAL MEETING

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 Connuaght Road Central, Hong Kong on Monday, 12 December 2011 at 3:20 p.m. (or immediately after the conclusion of the special general meeting of the Company which is scheduled to be held on the same day at 3:10 p.m.) is set out on pages 201 to 202 of this circular. Whether or not you intend 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 as soon as possible and in any event not less than 48 hours before the time appointed for holding the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

23 November 2011

CONTENTS

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

"Acquisition"	the proposed acquisition of the Sale Share by the Purchaser from the Vendor in accordance with terms and conditions of the Sale and Purchase Agreement
"Acquisition Price"	HK$267.60 million, being the consideration for the Sale Share payable by the Purchaser to the Vendor pursuant to the Sale and Purchase Agreement
"Ashley Property"	has the meaning as set out in the section headed "Financial and Trading Prospect of the Enlarged Group"
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of the Directors
"Building"	has the meaning as set out in the section headed "Information of the Property"
"CFAM"	China Finance & Assets Management Limited
"Company"	Eternity Investment Limited, a company incorporated in Bermuda with limited liability and the Shares are listed on the Main Board of the Stock Exchange (stock code: 764)
"Completion"	completion of the sale and purchase of the Sale Share in accordance with terms and conditions of the Sale and Purchase Agreement
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Deed of Indemnity"	the deed of indemnity to be executed by the Vendor, each member of the Target Group and the Purchaser upon Completion

"Direct Comparison Approach"	a valuation approach based on the theory that an informed purchaser would pay no more for a property than the cost of acquiring another existing and equivalent property. The value estimate is based on the selling price and listings of comparable properties with appropriate adjustments. For the avoidance of doubt, this approach does not have any profit forecast element
"Director(s)"	the director(s) of the Company
"Encumbrance"	mortgage, charge, lien, hypothecation or other encumbrance, priority or security interest or third party rights, claims or adverse interests and "Encumber" shall be construed accordingly
"Enlarged Group"	the Group as enlarged by the Target Group
"Further Deposit"	has the meaning as set out in the section headed "The Acquisition Price"
"Gaming Promoter"	Dore Entretenimento Sociedade Unipessoal Limitada, a licensed gaming promoter for Wynn Macau, Macau Special Administrative Region of the PRC
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HSBC"	The Hongkong and Shanghai Banking Corporation Limited
"HSBC Assignment of Rental"	the assignment of rental dated 14 January 2011 executed by Rexdale in favour of HSBC registered at the Land Registry by Memorial No.11020902540052
"HSBC Charges"	the HSBC Assignment of Rental, the HSBC Deed of Debenture, the HSBC Mortgage, the HSBC Share Mortgage and the HSBC Subordination Agreement
"HSBC Deed of Debenture"	the deed of debenture dated 14 January 2011 executed by Rexdale in favour of HSBC

"HSBC Mortgage"	the legal charge/mortgage dated 14 January 2011 executed by Rexdale in favour of HSBC registered at the Land Registry by Memorial No.11020902540043
"HSBC Share Mortgage"	the share mortgage dated 14 January 2011 executed by One Synergy in favour of HSBC
"HSBC Subordination Agreement"	the subordination agreement dated 14 January 2011 executed by One Synergy in favour of HSBC
"Independent Third Party/(ies)"	a party or parties being independent of the Company, its connected persons and their respective associates
"Initial Deposit"	has the meaning as set out in the section headed "The Acquisition Price"
"Investment Approach"	a valuation approach that relates to income-producing property and is based on the theory that value is the present worth of the income stream which the property is capable of producing. The net operating income from the property is capitalised into value by an appropriate yield. For the avoidance of doubt, this approach does not have any profit forecast element
"Land"	all that piece or parcel of ground registered in the Land Registry of Hong Kong as Section A of Kwun Tong Inland Lot No. 195
"Latest Practicable Date"	18 November 2011, 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 December 2011 or such other date as the Vendor and the Purchaser may agree in writing

"Material Adverse Effect"	any change or event that would have a material adverse effect on the business, assets, properties, liabilities, financial condition, operating results or operations, taken as a whole, and any change or event which will result in a diminution in value of the Target Group otherwise than in the usual and ordinary course of business
"One Synergy"	One Synergy Limited, a company incorporated under the laws of Hong Kong with limited liability and a wholly owned subsidiary of the Target Company
"Promissory Note"	the secured and interest-free promissory note of HK$118.00 million issued by One Synergy in favour of Lafe Corporation Limited maturing on 31 December 2011
"Property"	the units of the Building as set out in the section headed "Information of the Property"
"Purchaser"	Riche (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
"Rexdale"	Rexdale Investment Limited (formerly Lafe Properties (Hong Kong) Limited, The Grande Properties Limited, LAFE' Electronics Limited and Po Trading Co. Limited), a company incorporated under the laws of Hong Kong with limited liability and a wholly owned subsidiary of One Synergy
"Rich Daily"	Rich Daily Group Limited, a company incorporated in the British Virgin Islands with limited liability engaged in provision of management services business and a wholly owned subsidiary of the Company
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 25 May 2011 (as supplemented by the Supplemented Agreement) entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Share
"Sale Share"	one share of US$1.00 in the Target Company, representing the entire issued share capital of the Target Company

"Services Agreement"	the services agreement dated 30 June 2008 and entered into between the Gaming Promoter and Rich Daily in relation to the provision of management services to the concierge department of the Gaming Promoter, which for the avoidance of doubt not including the solicitation of VIP customers for the Gaming Promoter, by Rich Daily
"SFO"	The Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
"SGM"	the special general meeting of the Company to be convened and held at Macau Jockey Club, 1/F Function Room, 1st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connuaght Road Central, Hong Kong on Monday, 12 December 2011 at 3:20 p.m. (or immediately after the conclusion of the special general meeting of the Company which is scheduled to be held on the same day at 3:10 p.m.) to consider and, if thought fit, approve the Sale and Purchase Agreement, the Deed of Indemnity and the transactions contemplated thereunder
"Share(s)"	the ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplement agreement dated 10 June 2011 entered into between the Vendor and the Purchaser to amend the pre-completion undertaking given by the Vendor to the Purchaser to the Sale and Purchase Agreement. Details of the supplemental agreement has been disclosed in the Company's announcement dated 10 June 2011
"Target Company"	Adelio Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
"Target Group"	the Target Company, One Synergy and Rexdale
"Termination Notice"	the notice of termination dated 12 September 2011 and served by the Gaming Promoter

"Vendor"	Vartan Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent

RELIABILITY OF CERTAIN STATISTICS AND INFORMATION RELATING TO THE ECONOMY AND THE INDUSTRY

Statistics, industry data and other information relating to the economy and the industry contained in this circular have been derived from various official government publications with information provided by different government agencies. Although the Board believes that the sources of the information and statistics are appropriate sources for such information and statistics and has taken reasonable care in extracting and reproducing such information and statistics, and has no reason to believe that such information and statistics is false or misleading or that any fact has been omitted that would render such information and statistics false or misleading, no guarantee can be made as to the accuracy or completeness of such information and statistics. None of the Company, or their respective directors, agents or advisers have prepared or independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. Statistics, industry data and other information relating to the economy and the industry derived from official government sources may not be consistent with other information available from other sources and should not be unduly relied upon.

Due to possible flawed collection methods, discrepancies between published information, different market practices or other problems, the statistics, industry data and other information relating to the economy and the industry derived from official government sources might be inaccurate or might not be comparable to statistics produced from other sources. Careful consideration should be given as to how much weight or importance should be attached or placed on such statistics, projected industry data and other information relating to the economy and the industry.

FORWARD-LOOKING STATEMENTS

All statements contained in this circular, statements made in press releases and oral statements that may be made by us or our directors, executive officers or employees acting on our behalf, that are not statements of historical fact, constitute "forward-looking statements". You can identify some of these statements by forward-looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would", and "could" or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements, including statements as to our revenue and profitability, cost measures, planned strategy and any other matters discussed in this circular regarding matters that are not historical facts are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this circular, we advise you not to place undue reliance on those statements. We are not warranting or representing to you that our actual future results, performance or achievements will be as discussed in those statements.

INDUSTRY OVERVIEW

According to the Hong Kong Half-Yearly Economic Report 2011 released in August 2011 prepared by Economic Analysis Division, Economic Analysis and Business Facilitation Unit, Financial Secretary's Office, Government of the Hong Kong Special Administrative Region, the overall economic performance of Hong Kong and property market of Hong Kong have the following facts in year 2011:

Hong Kong economic overview in 2011

- The Hong Kong economy expanded solidly by 5.1% in the second quarter of 2011 over a year earlier, notwithstanding a more challenging external environment. This, while representing a moderation from the exceptionally strong growth of 7.5% in the first quarter, still marked the sixth consecutive quarter of above-trend year-on-year economic growth.

- The global economy was subject to an increased level of uncertainty in the second quarter. Apart from the repercussions of Japan's earthquake and nuclear incident, the unsteady US economic recovery, re-intensification of the eurozone sovereign debt problem, and policy tightening in Asia were also contributory.

- Total exports of goods slowed considerably to show virtually little change in real terms from a year earlier in the second quarter, due partly to the temporary disruptions to regional supply chains arising from the Japan incident, and also partly to slower demand growth in many export markets. Exports of services stayed relatively resilient, attaining appreciable growth on the back of thriving inbound tourism and active cross-border financing, fund-raising and other commercial activities.

- Domestic demand strengthened in the second quarter, providing the major impetus to overall economic growth. Private consumption expenditure grew robustly further, supported by sanguine consumer sentiment and improving income conditions. Overall investment spending regained strength, bolstered by the continued expansion in public building and construction works as well as a brisk rise-back in private machinery and equipment investment after a brief relapse in the first quarter.

- Job creation gathered pace alongside the solid economic growth, pushing total employment to an all-time high and absorbing most of the increase in labour force. The seasonally adjusted unemployment rate stood at 3.5% in the second quarter, only slightly above the post-1997 low of 3.3% in mid-2008. Thanks to a relatively tight labour market, wages and earnings continued to rise.

- The local stock market drifted lower during the second quarter, amid growing uncertainties in the external environment. Residential flat prices rose further during the quarter, although property trading turned quieter amid more cautious market sentiments.

- Inflationary pressures increased in the second quarter, against the background of rising import prices and sustained economic upturn. Underlying consumer price inflation rose to 5.0% in the second quarter, mainly driven by higher food prices and private residential rentals.

The Hong Kong economy grew solidly in the second quarter of 2011, despite increased uncertainties in the external environment. The external and domestic sectors showed diverse developments. Merchandise exports saw a marked deceleration, amid the disruptions to regional supply chains caused by the Japan incident, re-intensification of the eurozone sovereign debt problem, slow recovery in the US, and policy tightening in Asia. Exports of services were more resilient, supported mainly by the expansion of inbound tourism, financial and commercial activities. Meanwhile, domestic demand was robust, on the back of sanguine consumer and business sentiments, as well as improving job and income conditions. However, inflation went up further amid rising import prices and stronger local cost pressures. While the local stock market drifted lower during the quarter, residential property prices rose to new highs. The Government stepped up efforts in increasing land supply and containing excessive credit growth to forestall the risks of macroeconomic and financial instability.

In the second quarter of 2011, the Gross Domestic Product (GDP) grew by 5.1% in real terms over a year earlier, following the strong growth of 7.5% in the first quarter (revised from the earlier estimate of 7.2%) and marking the sixth straight quarter that growth exceeded the average annual growth of 4.0% over the past ten years. In the first half of 2011, real GDP expanded by 6.3% over a year earlier. On a seasonally adjusted quarter-to-quarter comparison, real GDP however contracted slightly by 0.5% in the second quarter, due to the setback in merchandise trade. Yet, this had also to be viewed against the exceptionally strong growth of 3.1% in the first quarter (revised from the earlier estimate of 2.8%).

Property sector overview in the first half of 2011

- The residential property market stayed generally buoyant in the first half of 2011, though there have been some signs of cooling off since mid-June after the Government introduced the latest package of housing measures.

- Overall flat prices soared by another 14% during the first half. Yet trading activities dwindled following the announcement of the introduction of the Special Stamp Duty late last year.

- The Government has stepped up its efforts in ensuring a stable and healthy property market this year, through initiating the sale of more residential sites and announcing in advance quarterly land sale programmes. The Hong Kong Monetary Authority (HKMA) also further tightened its prudential measures on mortgage lending by the banks in June.

The residential property market stayed generally buoyant in the first half of 2011. While transactions showed a distinct decline following the announcement of the introduction of the Special Stamp Duty (SSD) late last year, flat prices continued to rise, especially in the first few months, amid the ongoing low interest rates and solid economic growth. The earthquake and nuclear crisis in Japan in March dampened market sentiment somewhat, but the effects seemed to be short-lived. Most recently, the market has shown some signs of cooling off since mid-June after the Government stepped up its efforts in increasing land supply and further tightening the banks' mortgage lending standards. Also relevant were the successive rises in mortgage interest rates by the major banks since mid-March.

Overall flat prices soared by another 14% between December 2010 and June 2011, though the monthly increase tapered somewhat during the period. Prices of small/medium-sized flats and large flats registered similar gains of 14% and 13% respectively. Following the rally since early 2009, overall flat prices in June 2011 were already 7% higher than the 1997 peak, with prices of large flats exceeding the peak by an even sharper 25%.

In the leasing market, overall flat rentals rose further by 6% between December 2010 and June 2011. After a modest start in the early months, the increase in flat rentals has accelerated of late, as conceivably more people shifted back from the sales market to the leasing market in face of the continued surge in flat prices. Analysed by size of flat, rentals of large flats and small/medium-sized flats rose by 9% and 6% respectively. Following the surge since 2009, flat rentals in June 2011 were only 3% below the 1997 peak. As a result of the faster increase in prices than in rentals, the average rental yield for residential property declined further from 3.5% in December 2010 to 3.3% in June 2011. In parallel to the surge in flat prices, the home purchase affordability (i.e. the ratio of mortgage payment for a 45-square metre flat to median income of households, excluding those living in public housing) deteriorated further from 45% in the fourth quarter of 2010 to around 47% in the second quarter of 2011, slightly lower than the long-term average of 51% over 1990-2009.

The commercial and industrial property markets also stayed buoyant. Between December 2010 and June 2011, sale prices of office space rose by a rampant 17%, with prices of Grade A, B and C office space surging by 12%, 20% and 21% respectively. Office rentals rose by a sharp 8%, with Grade A, B and C office space registering gains of 10%, 6% and 6% respectively. In June, prices of office space have exceeded the recent peak in 2008 by a sharp 43% while rentals were 4% higher. Reflecting the more substantial rises in prices than in rentals, the respective average rental yields for Grade B and C office space declined further, from 3.5% and 3.8% in December 2010 to 3.2% and 3.3% in June 2011. Meanwhile, that for Grade A office space remained at 3.1%. Transactions for office space rose by 6% over the preceding half-year period or 24% over a year earlier to 2,050 cases in the first half.

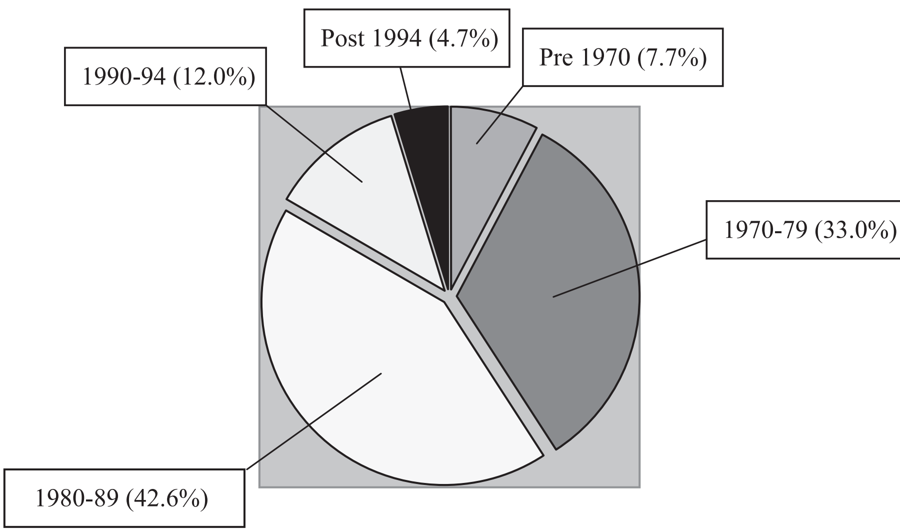
Prices and rentals of retail shop space continued to rise, by 14% and 6% respectively in June 2011 over December 2010. Prices in June have exceeded the recent peak in 2008 by a rampant 59%, and rentals by 16%. The average rental yield for retail shop space fell further from 3.2% in December 2010 to 3.0% in June 2011. While trading retreated by 4% from the high base in the second half of 2010 to 4,010 cases in the first half of 2011, it was still 15% higher than a year earlier.

For flatted factory space, sale prices in June 2011 soared by 22% over December 2010, while rentals also rose by a rapid 7%. The average rental yield dropped from 4.3% to 3.8% over the period. In June, prices of flatted factory space were sharply higher than the peak in 2008 by 58%, and rentals by a lesser 6%. As to trading activities, transactions for flatted factory space rose by 12% over the preceding half-year period or 44% over a year earlier to a record high of 5,170 cases in the first half.

Industrial properties in Hong Kong are classified into four main categories:

Private Flatted Factory

According to Hong Kong Half-Yearly Economic Report 2011, at the end of 2010, stock in flatted factories and ancillary office accommodation was 17,231,000 square meters, which was evenly distributed between the urban areas and the New Territories. Distribution of the total stock by age is shown in the chart.



Completions in 2010 amounted to 20,600 square meters, coming chiefly from a project in Tsuen Wan. A positive take-up of 260,700 square meters was recorded and vacancy fell to 1,145,900 square meters, representing 6.7% of stock. About 59% of the vacant space was found in Kwun Tong, Kwai Tsing and Tsuen Wan.

Completions in 2011 are expected to increase to 38,200 square meters, of which 68% will be located in Sham Shui Po and 21% in Kwai Tsing. In 2012, new supply of 40,100 square meters will be coming on stream and again Tsuen Wan will provide the bulk of total space. Prices rose continually during the year and posted considerable gain. The provisional price index for the fourth quarter finished 30% higher than the same period in previous year. Rents also followed an upward trend but the rate of growth was much milder. The provisional rental index for the final quarter was up by 10% relative to 2009 level.

According to Hong Kong Property Review 2011, completions of flatted factories in 2010 increased noticeably to 20,600 square meters. Take-up was about 260,700 square meters, and vacancy at the year end declined to 6.7% of stock. 2011 is expected to see completions rising to 38,200 square meters, and another 40,100 square meters industrial space will be completed in 2012. Prices went up sharply and soared 30% in the fourth quarter compared to a year earlier. Rents were headed in similar direction though the rate of growth slowed down in the second half of the year, registering 10% gain year on year over the same period. The yield also edged down slightly in the last two quarters.

Private Industrial/Office

This category comprises floor space in developments designed for industrial/office use, and certified for occupation as such.

The 2010 year-end stock stood at 591,200 square meters, with the majority of space located in urban districts. Sham Shui Po and Kwun Tong accounted for more than 61% of the total space. There was no new supply in 2010. With a take-up of 10,300 square meters, vacancy rate dropped to 8.6% of stock, equivalent to 50,800 square meters. Approximately 83% of the vacant space was found in Eastern district, Kwun Tong and Kwai Tsing.

No new supply would likely be forthcoming in 2011 and 2012.

Private Specialised Factories

This category comprises all other factory premises, primarily purpose-built for specialised manufacturing processes, and usually for occupation by a single operator.

The stock in this sector was 2,905,800 square meters at the end of 2010, of which around 83% came from the New Territories.

Three new developments providing 21,000 square meters floor space were completed in 2010. About 93% of the completions were from Tai Po.

New space of 37,400 square meters are forecast to be available in 2011, with approximately 65% coming from Sai Kung, while another 36,300 square meters in the New Territories are expected to be completed in 2012.

Private Storage

This category comprises premises designed or adapted for use as godowns, or cold stores, and includes ancillary offices. Premises located within container terminals are included.

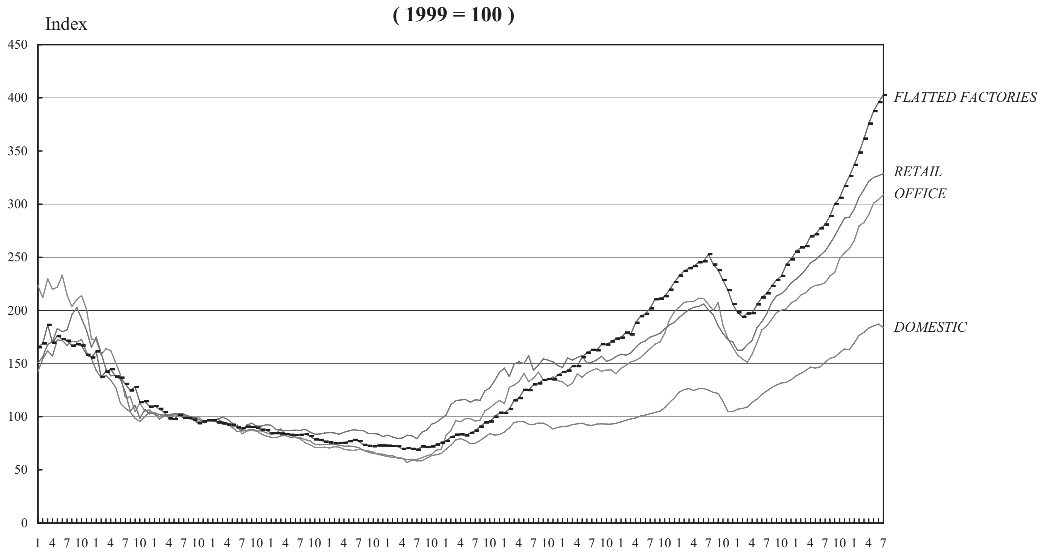
Stock stood at 3,415,700 square meters at the end of 2010. About 80% of the stock was in the New Territories, with predominance in Kwai Tsing, Tsuen Wan and Sha Tin which accounted for 66% of the total space.

There was no new supply in 2010. Vacancy reduced to 106,700 square meters, or 3.1% of stock. It is estimated that completions will bounce to 72,200 square meters in 2011 and further to 121,800 square meters in 2012. All the new supply will be found in the New Territories.

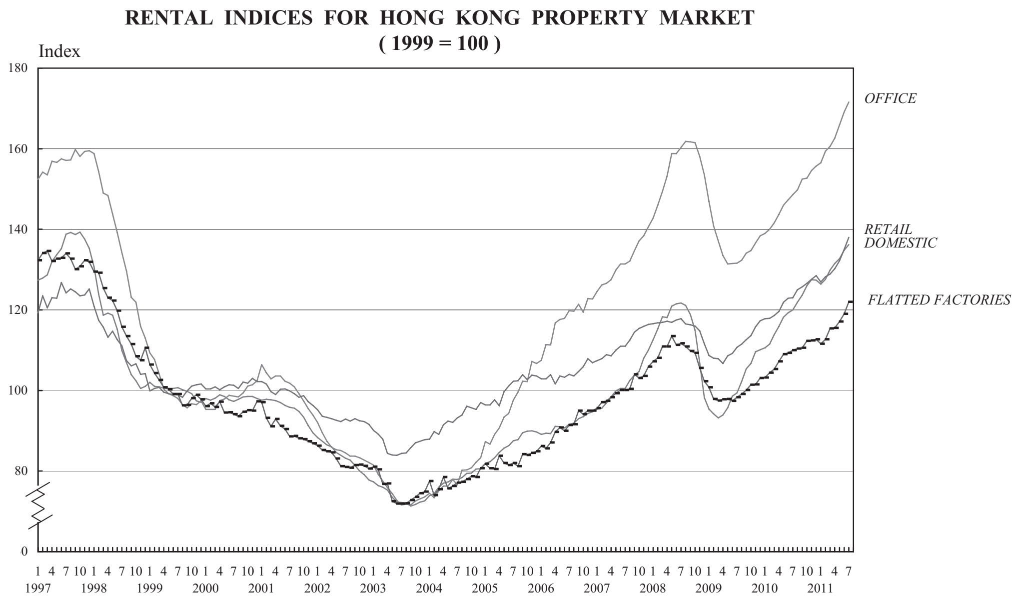
Price and rental indices

Followings are the price indices and rental indices for Hong Kong property market since January 1997 up until June 2011:

PRICE INDICES FOR HONG KONG PROPERTY MARKET
(1999 = 100)



Source from Hong Kong Rating and Valuation Department, Property Market Statistics
Website: http://www.rvd.gov.hk/en/doc/statistics/graph2.pdf



Source from Hong Kong Rating and Valuation Department, Property Market Statistics
Website: http://www.rvd.gov.hk/en/doc/statistics/graph1.pdf

Competition

The rental business of Hong Kong factory buildings is highly competitive. Along with the industrial restructuring and relocation of production lines and factories in Hong Kong to the Mainland China in the past twenty years have resulted in plenty of factory units being left in urban areas, such as Tsuen Wan, Kwun Tong, Kwai Tsing and Sham Shui Po etc. Recent years, numbers of factories in those areas has been converted into office premises or hotel or other specific use such as art gallery. The competition to attract tenants is primarily based on the location of the property, price and size of the factory building. The barriers to enter into the rental business of factory buildings for new participants are relatively low as there are no specific criteria for the operation of rental business in Hong Kong. Furthermore, the barriers to enter into the property investment business for new investors are also low given the abundant liquidity environment with exceptionally low interest rates in Hong Kong.

Future challenges

The global economy will continue to see various challenges in the year ahead. Any global economic slowdown, economic contractions in certain markets, more commercial and consumer delinquencies, weakened consumer confidence and increased market volatility in Hong Kong may affect the capital value of the properties and the rental business. It may also adversely affect the business of tenants and decrease in the rents or the occupation rate of properties. Nevertheless, the economic fundamentals of Hong Kong are expected to remain strong as favourable policy measures including, Closer Economic Partnership Arrangement (CEPA) and Individual Visitor Scheme, enacted by the Central Government.

Future opportunity

As Hong Kong is the financial centre for capital raising in the primary markets for domestic Chinese companies, the economic growth of Hong Kong has recorded a remarkable growth in Asia. Benefit from the Closer Economic Partnership Agreement and Hong Kong has become a unique gateway preferential access to China market. Based on the price indices and the rental indices for Hong Kong Property Market as disclosed above in this section, the demand for property in Hong Kong is expected to remain high derived by healthy domestic demand and high visitor spending. Besides, as the land is a scarce resource in Hong Kong and the land supply of Hong Kong is limited, the capital value of property is likely to be sustained.

With an aim to redevelop and revitalize industrial buildings in Hong Kong, the Government of Hong Kong has initiated number of measures to redevelop Kwun Tong and Kowloon Bay. Furthermore, Hong Kong Government is building a Kai Tak Government Office and is planning to relocate other government office buildings to Kai Tak. Retail and hotel accommodation, public and private housing units, an international cruise terminal, sports and tourism facilities are also planned to be built in Kai Tak. Together with Kwun Tong and Kowloon Bay, Kowloon East has a great potential to evolve into a vibrant premier business district in Hong Kong.

ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

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

Non-executive Director:
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 November 2011

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

On 25 May 2011 (after trading hours of the Stock Exchange), the Purchaser and the Vendor entered into the Sale and Purchase Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share free from all Encumbrances at the Acquisition Price of HK$267.60 million.

On 10 June 2011 (after trading hours of the Stock Exchange), the Purchaser and the Vendor entered into the Supplemental Agreement to amend the pre-completion undertaking given by the Vendor under the Sale and Purchase Agreement.

The purpose of this circular is to give you further details of the Sale and Purchase Agreement, the Supplemental Agreement, the Deed of Indemnity and the transactions contemplated thereunder, together with a notice of the SGM.

THE ACQUISITION

The Sale and Purchase Agreement

Date:	25 May 2011
Purchaser:	Riche (BVI) Limited, a wholly owned subsidiary of the Company
Vendor:	Vartan Holdings Limited, an investment holding company

To the best of Directors' knowledge, information and belief, having made all reasonable enquiry, the Vendor and the ultimate beneficial owner of the Vendor are Independent Third Parties and not connected with any directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates.

Assets to be acquired

Subject to the terms and conditions of the Sale and Purchase Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Share free from all Encumbrances.

The Vendor is the sole legal and beneficial owner of the Sale Share, which represents the entire issued share capital of the Target Company. One Synergy is a wholly owned subsidiary of the Target Company and Rexdale is a wholly owned subsidiary of One Synergy. Rexdale is the legal and beneficial owner of the Property.

The Sale Share shall be sold and transferred to the Purchaser together with all rights and liabilities of any nature whatsoever attaching to them on the date of the Sale and Purchase Agreement, including the rental income on the Property, all rights to any dividends or other distributions declared, paid or made in respect of them after the date of the Sale and Purchase Agreement.

The Acquisition Price

The Acquisition Price of HK$267.60 million has been and shall be settled in cash in the following manner:

(a) a deposit (the "**Initial Deposit**") of HK$45.00 million has been paid by the Purchaser to the Vendor's nominee upon signing of the Sale and Purchase Agreement;

(b) a further deposit in the sum equivalent to the outstanding balance of the HSBC Mortgage together with interest and expenses (the "**Further Deposit**") shall be payable to the Purchaser's solicitors as stakeholder within 2 business days from the date when the Company has obtained approval by the Shareholders at the SGM of the Sale and Purchase Agreement, the Deed of Indemnity and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules, such Further Deposit shall be released to the Vendor's solicitors by way of a cheque drawn in favour of HSBC on the date when the HSBC Mortgage will be redeemed; and

(c) the balance of the Acquisition Price shall be payable by the Purchaser by way of a cheque drawn in favour of the Vendor or its nominees at Completion.

The Acquisition Price was agreed between the Purchaser and the Vendor after arm's length negotiations with reference to the consolidated net assets of the Target Group as at 25 May 2011, being the date of the Sale and Purchase Agreement, the outstanding balance owed by Rexdale to HSBC as at 25 May 2011 under the HSBC Mortgage and a property valuation conducted by Norton Appraisals Limited, an independent professional valuer appointed by the Company, on an open market basis valuing the Property at HK$400.00 million as at 15 May 2011.

For the purpose of indicating the amount involved in the Further Deposit, the outstanding balance of the secured bank loans granted by HSBC together with the accrued interest thereon amounted to HK$172.98 million as at 31 October 2011.

In valuing the Property at HK$400.00 million, Norton Appraisals Limited has adopted Investment Approach by taking into account the current rents passing and the reversionary income potential of the tenancies or, wherever appropriate, the Direct Comparison Approach by making reference to comparable sale evidence as available in the relevant market, the leased portion of the Property is currently let at a monthly rental of HK$1.04 million.

As disclosed in the Company's announcement dated 7 June 2011, the Acquisition Price will be financed by the net proceeds from the top-up placing of HK$29.40 million as completed on 17 June 2011 and the open offer of HK$260.39 million as completed on 15 August 2011. As such, the Directors are of the opinion that the financing of the Acquisition is properly in place.

The Company has no plan to introduce any new controlling Shareholder or Director.

Conditions precedent

Completion shall be conditional upon the following matters having occurred:

(a) the approval by the Shareholders at the SGM of the Sale and Purchase Agreement, the Deed of Indemnity and the transactions contemplated under the Sale and Purchase Agreement in accordance with the requirements of the Listing Rules;

(b) all licenses, permissions, authorizations, certificates, regulatory approvals and consents in relation to the transactions contemplated under the Sale and Purchase Agreement under any applicable laws, statutes, regulations and ordinances having been obtained by the Company and the parties thereto;

(c) the Purchaser having satisfied at its sole and absolute discretion in all material respects with its due diligence investigation in respect of the Target Group, including but not limited to an inspection and investigation as to the legal status, the financial, operation, contractual, taxation and management of the Target Group and the title of the Property;

(d) the release and discharge of each of the HSBC Charges;

(e) any amount due and outstanding from any member of the Target Group to the Vendor as at the date of the Sale and Purchase Agreement has been waived;

(f) the warranties remaining true and accurate in all material aspects and not misleading in any material respect, at all times subsequent to the date of the Sale and Purchase Agreement up to and including the date of Completion as if repeated on each day immediately prior to the date of Completion;

(g) there must not be in effect, published, introduced or otherwise formally proposed law or judgment, and there must not have been commenced or threatened any proceeding, that in any case could prohibit, prevent or make illegal the consummation of any of the transactions contemplated by the Sale and Purchase Agreement; and

(h) no Material Adverse Effect occurred on each member of the Target Group and the Property prior to Completion.

The Vendor undertakes to use its best endeavour to procure that conditions (b) to (f) are satisfied on or before the Long Stop Date. The Purchaser undertakes to use its best endeavour to procure that conditions (a) to (c) are satisfied on or before the Long Stop Date. For the avoidance of doubt, if a party has used its best endeavors to satisfy a condition precedent for which it is responsible but such condition precedent cannot be satisfied by the Long Stop Date, such party shall not be deemed as having committed a breach of the Sale and Purchase Agreement.

The Purchaser shall be entitled in its absolute discretion to waive conditions (c) and (e). Such waiver shall not imply that the party is not relying on the warranties but rather only that it is prepared, in reliance upon the warranties and such comfort, if any, as it has taken from its investigations, to proceed with the transactions contemplated under the Sale and Purchase Agreement. The Purchaser has no intention to waive such conditions. The Purchaser will not waive any of the conditions (including conditions (c) and (e)) if the wavier is not fair and reasonable and not in the interests of the Company and the Shareholders as a whole.

As at the date of the Sale and Purchase Agreement, the Target Group owed the Vendor an amount of HK$40.37 million and the Vendor owed the Target Group an amount of HK$39.73 million. The net effect of which is the Target Group owing the Vendor an amount of HK$0.64 million. Such net amount of HK$0.64 million due and outstanding from the Target Group to the Vendor shall be waived at Completion. There was no movement on the amounts due to/from the Vendor during the period from the date of the Sale and Purchase Agreement to the Latest Practicable Date.

As the Target Group has sufficient operating cash inflow to cover its cash outflow, the Directors do not expect that there will be any increase in the amount due to the Vendor in the accounts of the Target Group during the period from the Latest Practicable Date to the date of Completion. There is a mutual understanding between the Vendor and the Purchaser that the amount due from the Vendor in the accounts of the Target Group should not be increased from the date of the Sale and Purchaser Agreement to the date of Completion. In the event that the amount due from the Vendor is increased, the Purchaser shall be in the opinion that condition (c) above not being satisfied and the Sale and Purchase Agreement shall be terminated.

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Target Group shall repay any debt due to the Vendor incurred during the period from the date of the Sale and Purchase Agreement to the date of Completion. It is expected that the nature of such debt, if any, is for financing the working capital of the Target Group.

In respect of the due diligence investigation, the Group has mainly performed the following works:

(a) a land search on the ownership rights and legal title of the Property;

(b) on site inspection of the Property;

(c) an examination of the financial and accounting records of the Target Group for the three years ending 31 December 2010 and the six months ended 30 June 2011;

(d) an examination of the statutory records of each member of the Target Group; and

(e) litigation searches on each member of the Target Group.

According to the results of the due diligence works, save and except for the claim brought by CFAM as disclosed in the section headed "Litigation" in Appendix VII to this circular, no material defect, breaches of laws and regulations and other deficiencies in relation to each member of the Target Group and/or the Property was found as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the above conditions precedent has been fulfilled.

Completion

Completion shall take place on the date which is the third business days immediately following the date on which all of the above conditions precedent have been satisfied or waived (as applicable) or such other date as the parties may agree in writing on which the completion occurs. Completion is expected to take place on or before 31 December 2011.

Upon Completion, the Purchaser shall be responsible for the Promissory Note, which is secured by a charge of 100% equity interest in Rexdale to Lafe Corporation Limited. The charge of 100% equity interest in Rexdale will be released upon repayment of the Promissory Note.

Termination

If any of the above conditions precedent has not been fulfilled (or waived by the Purchaser) by the Long Stop Date, the Sale and Purchase Agreement shall automatically be terminated and shall cease to have any further force and effect and the Vendor shall forthwith return the Initial Deposit and/or the Further Deposit paid by the Purchaser, and no party to the Sale and Purchase Agreement shall have any liability under them (without prejudice to the rights of the parties in respect of any antecedent breaches).

The Promissory Note

On 31 December 2010, One Synergy acquired the entire issued share capital of Lafe Properties (Hong Kong) Limited (the former name of Rexdale) from Lafe Corporation Limited at a consideration of HK$157.96 million, part of the consideration was satisfied by the issue of the Promissory Note of HK$118.00 million by One Synergy at completion. As at the Latest Practicable Date, the Promissory Note remained outstanding.

The principal terms of the Promissory Note are as follows:

Date of issue:	31 December 2010
Parties:	One Synergy as issuer and Lafe Corporation Limited as payee
Principal amount:	HK$118.00 million
Maturity:	the date falling one year after the issue of the Promissory Note
Interest:	non-interesting bearing
Security:	a charge over all the issued shares of Rexdale executed by One Synergy in favour of Lafe Corporation Limited
Transferability:	non-transferrable

Given Lafe Corporation Limited is a company listed on the Singapore Exchange with a consolidated net assets value of US$123.14 million as at 30 September 2011, the Directors consider that the risk for Lafe Corporation Limited not releasing the share charge upon the full repayment of the Promissory Note is remote.

The Deed of Indemnity

Parties to the Deed of Indemnity

Parties:

(a) the Vendor;

(b) the Target Company;

(c) One Synergy;

(d) Rexdale; and

(e) the Purchaser.

To the best of Directors' knowledge, information and belief, having made all reasonable enquiry, each of the Vendor, Target Company, One Synergy, Rexdale and their ultimate beneficial owner are Independent Third Parties and not connected with any directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates.

Key Terms of the Deed of Indemnity

Pursuant to the terms of the Deed of Indemnity, the Vendor undertakes to indemnify and keep indemnified the Purchaser (for itself and as trustee for the Target Group) and the Target Group against any loss or liability suffered by the Purchaser or the Target Group including, but not limited to, any diminution in the value of the assets (other than the Property) of or shares in the Target Group as at the date of the Sale and Purchase Agreement, any payment made or required to be made by the Purchaser or any member of the Target Group and any costs and expenses incurred as a result of or in connection with any claim falling on the Target Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the date of the Sale and Purchase Agreement or any event on or before the date of the Sale and Purchase Agreement whether alone or in conjunction with other circumstances and whether or not such taxation is chargeable against or attributable to any other person, firm or company, to the extent that provision in respect thereof has not been made in the unaudited consolidated management accounts of the Target Group as at 25 May 2011.

According to the consolidated management accounts of the Target Group as at 25 May 2011, save for the increase in provision for deferred taxation of HK$0.38 million, there is no other provision or any material discrepancy to the consolidated financial position of the Target Group as at 30 June 2011. Pursuant to the terms of the Deed of Indemnity, the Vendor will bear such increase in tax liability when arise.

According to the results of the due diligence works, there is no particulars and any claim and other liabilities which would be borne by the Vendor under the Deed of Indemnity and therefore, the Board considers there is no risk associated with outstanding debts and liabilities of the Target Group, including the risk that the Vendor will not honour its obligation under the Deed of Indemnity.

The Supplemental Agreement

Date:	10 June 2011
Purchaser:	Riche (BVI) Limited, a wholly owned subsidiary of the Company
Vendor:	Vartan Holdings Limited, an investment holding company

Pursuant to the Supplemental Agreement, the Vendor and the Purchaser agreed to amend the pre-completion undertaking given by the Vendor to the Purchaser under item (xxiv) of schedule 4 to the Sale and Purchase Agreement, pursuant to which the Vendor undertakes to the Purchaser that it shall procure that no member of the Target Group shall, pending Completion, enter into new lease, tenancy or agreement for the same in respect of the Property or otherwise dispose of the Property (save and except that (i) the total consideration for the entirely of the Property is not less than HK$400.00 million or in case of disposition of part of the Property, at a value of not less than HK$3,000 per square feet; and (ii) in any event, the consideration be settled in cash) or creating any Encumbrances on the Property or any part thereof or any interest therein without the prior written consent of the Purchaser.

Given the Hong Kong property markets for commercial and industrial are dynamic, the Directors consider that the Supplemental Agreement enables the Purchaser to immediately capture any opportunity for selling the Property entirely or partly at a price higher than the Acquisition Price prior to Completion.

The Supplemental Agreement was entered into between the Purchaser and the Vendor on 10 June 2011. In setting the disposal price at not less than HK$400.00 million for the entirely of the Property or not less than HK$3,000 per square feet in case of disposition of part of the Property, the Directors were based on the property valuation conducted by Norton Appraisals Limited, an independent professional valuer appointed by the Company, valuing the Property at HK$400.00 million as at 15 May 2011. As such, the Directors are of the view that the Supplemental Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to the Sale and Purchase Agreement, any member of the Target Group shall obtain prior written consent of the Purchaser for carrying out any action classified as the pre-completion Vendor's undertakings, including the disposal of the Property entirely or partly. In addition, the property agent involved in sale and marketing activities of the Property is appointed by the Company and the Directors are regularly updated the sale progress of the Property and the recent sale transactions of properties in Kwun Tong area by the property agent. Accordingly, the Directors consider that the disposal of the Property is transacted under the Company's proper control.

In respect of the disposal of the Property entirely or partly pursuant to the Supplemental Agreement, the Directors consider that the Shareholders have sufficient information to make an informed assessment on the following grounds:

(a) the disposal price is set at not less than HK$400.00 million for the entirely of the Property or not less than HK$3,000 per square feet in case of disposition of part of the Property, which is based on the property valuation as at 25 May 2011 conducted by Norton Appraisals Limited, an independent professional valuer appointed by the Company; and

(b) the settlement of disposal price is specified in cash.

As at the Latest Practicable Date, no part of the Property was disposed of by any member of the Target Group.

Pre-completion Vendor's Undertakings

Pursuant to the Sale and Purchase Agreement, prior written consent of the Purchaser is required for any member of the Target Group to carry out any of the actions classified as the pre-completion Vendor's undertakings in schedule 4 to the Sale and Purchase Agreement. Other than the amendment of item (xxiv) in schedule 4 to the Sale and Purchase Agreement relating to the disposal of the Property entirely or partly pursuant to the Supplemental Agreement, the major actions classified as the pre-completion Vendor's undertakings are summarised as follows:

(a) change in authorised or issued share capital of the Target Company or any member of the Target Group;

(b) pass any resolution in general meeting or make any alteration to the provisions of its memorandum and articles of association or the equivalent constitutional documents;

(c) merge, consolidate or dissolve the Target Company or any member of the Target Group;

(d) create extend grant or issue or agree to create extend grant or issue any encumbrances over any of the material assets, properties or undertakings;

(e) carry on any business which is not the ordinary and usual course, or make any payment other than routine payments in the ordinary and usual course of trading;

(f) incorporate any subsidiary or enter into any joint venture, partnership or agreement or arrangement for the sharing of profits or assets;

(g) acquire any assets for a value in the aggregate amount exceeding of HK$0.10 million;

(h) undertake any capital commitment or actual or contingent liability in the aggregate amount exceeding HK$1.00 million;

(i) borrow any money or incur any liabilities in the aggregate amount exceeding HK$1.00 million;

(j) lend or advance monies to or guarantee the indebtedness or obligations of any person or company for a sum in the aggregate amount exceeding HK$1.00 million;

(k) employ any employees or appoint any directors or secretaries in respect of any of which the annual remuneration exceeds HK$0.50 million;

(l) vary, modify or alter any material terms, conditions or remuneration in respect of the appointment or employment of its directors or officers; and

(m) do, allow or procure any act or permit any omission which would constitute a material breach of any of the warranties given by the Vendor in the Sale and Purchase Agreement.

FINANCIAL INFORMATION ON THE TARGET COMPANY AND ITS SUBSIDIARIES

The Target Company

The Target Company is a company incorporated under the laws of British Virgin Islands with limited liability on 9 November 2010. The principal business activity is investment holding. The principal asset of the Target Company is the 100% equity interest in One Synergy.

Based on the management accounts of the Target Company for the period from 9 November 2010 (date of incorporation) to 31 December 2010 which are prepared in accordance with Hong Kong Financial Reporting Standards, the unaudited loss before and after taxation of the Target Company for the period from 9 November 2010 (date of incorporation) to 31 December 2010 were both HK$6,318. The unaudited net liabilities of the Target Company amounted to HK$6,310 as at 31 December 2010.

One Synergy

One Synergy is a company incorporated in Hong Kong with limited liability on 21 December 2010. The principal business activity is investment holding. One Synergy acquired the 100% equity interest in Rexdale from Lafe Corporation Limited, an Independent Third Party, on 31 December 2010. The principal asset of One Synergy is the 100% equity interest in Rexdale, which is charged to Lafe Corporation Limited to secure the repayment of the Promissory Note.

Based on the management accounts of One Synergy for the period from 21 December 2010 (date of incorporation) to 31 December 2010 which are prepared in accordance with Hong Kong Financial Reporting Standards, the unaudited loss before and after taxation of One Synergy for the period from 21 December 2011 (date of incorporation) to 31 December 2010 were both HK$0.16 million. The unaudited net liabilities of One Synergy amounted to HK$0.16 million as at 31 December 2010.

Rexdale

Rexdale is a company incorporated in Hong Kong with limited liability on 23 June 1981. The principal business activity is property holding and entering into of leases with tenants of the Property. The principal asset of Rexdale is the Property.

Based on the accountants' report of Rexdale as disclosed in Appendix IIIB to this circular, the audited profit before and after income tax credit for the year ended 31 December 2008 were HK$15.32 million and HK$15.42 million respectively. The audited profit before and after income tax credit for the year ended 31 December 2009 were HK$11.60 million and HK$11.70 million respectively. The audited profit before and after income tax credit for the year ended 31 December 2010 were HK$39.98 million and HK$40.81 million respectively. The audited profit before and after income tax expense for the six months ended 30 June 2011 were HK$110.49 million and HK$110.41 million respectively. The audited net assets value of Rexdale as at 31 December 2010 and 30 June 2011 were HK$189.09 million and HK$299.49 million respectively.

The Target Group

Based on the accountants report of Target Group as disclosed in Appendix IIIA to this circular, the audited consolidated profit before and after taxation were both HK$3.03 million for the period from 9 November 2010 (date of incorporation of the Target Company) to 31 December 2010. The audited consolidated profit before and after taxation were HK$110.24 million and HK$110.16 million for the six months ended 30 June 2011. The audited consolidated net assets value of the Target Group as at 31 December 2010 and 30 June 2011 were HK$3.03 million and HK$113.19 million respectively.

The audited consolidated total assets of the Target Group as at 30 June 2011 was HK$452.54 million, which consists of the Property of HK$410.00 million, cash and bank balances of HK$2.44 million, deposits and prepayments of HK$0.37 million and an amount due from the Vendor of HK$39.73 million. The audited consolidated total liabilities of the Target Group as at 30 June 2011 was HK$339.35 million, which consists of secured bank loans of HK$176.94 million, the Promissory Note of HK$118.00 million, rental deposits received of HK$3.12 million, an amount due to the Vendor of HK$40.37 million and deferred taxation of HK$0.92 million.

As disclosed in the accountants' report of the Target Group, the Target Group was in net liability position at 30 June 2011. The Directors believe that the net liability position of the Target Group is mainly resulted from utilising debt-financing, rather than equity in financing its acquisition and operations. The Directors consider that the Company can provide continuing financial support to the Target Group upon Completion so that it can continue as a going concern as the outstanding balance of the secured bank loans granted by HSBC shall be fully repaid from the Further Deposit prior to Completion and the Company has sufficient financial resources to repay the Promissory Note upon its maturity.

Impacts of the HSBC Charges and the Promissory Note

Other than the disclosures of pledged assets, the HSBC Charges and the Promissory Note do not have any impact on the financial statements of the relevant entities.

Litigation and contingency liability of Rexdale

The Directors would like to draw the attention of the Shareholders to the following litigation pending against Rexdale as at the Latest Practicable Date.

On 15 April 2010, a claim was brought by CFAM in the High Court Action No.526 of 2010 against Rexdale that Rexdale has failed and still refuses to pay to CFAM a service fee in the sum of HK$25.00 million. The Statement of Claim relating to the claim was filed on 24 January 2011 and Rexdale has appointed a Hong Kong law firm to handle the alleged claim.

Based on the opinion issued by Rexdale's lawyers dated 19 September 2011, they are of the view that taking into account legal costs incurred or to be incurred by Rexdale and CFAM (on the assumption that Rexdale fails in its defence and counterclaim) and interests which the Court might award in favour of CFAM, Rexdale's estimated liability shall be around HK$32.00 million.

No provision for the claim brought by CFAM was made in the accounts of Rexdale as Lafe Corporation Limited has undertaken to indemnify and keep indemnified One Synergy against any and all losses, claims, damages, penalties, actions, demands, proceedings, judgement and costs (including legal costs on a full indemnify basis and any amount paid for settlement of claims) arising from or in connection with the claim up to HK$157,955,274, being the consideration paid by One Synergy for the acquisition of the entire issued share capital of Lafe Properties (Hong Kong) Limited (the former name of Rexdale), pursuant to the sale and purchase agreement dated 31 December 2010 entered into between Lafe Corporation Limited as vendor and One Synergy as purchaser relating to the sale and purchase of the entire issued share capital of Lafe Properties (Hong Kong) Limited (the former name of Rexdale).

Based on the legal opinion issued by Rexdele's lawyer dated 19 September 2011, the Directors consider that the indemnity of up to HK$157,955,274 given by Lafe Corporation Limited is sufficient to cover Rexdale's liability arising from the claim.

As Lafe Corporation Limited is a company listed on the Singapore Exchange with a consolidated net assets value of US$123.14 million as at 30 September 2011, the Directors consider that the risk for Lafe Corporation Limited not honouring its obligation under the indemnity is remote.

Given that the litigation pending against is fully indemnified by Lafe Corporation Limited, the Directors remain their view of the Acquisition being fair and reasonable and in the interest of the Company and the Shareholders as a whole as disclosed in the section headed "Reasons for the Acquisition".

INFORMATION OF THE PROPERTY

The Property is situated in a building, namely Lucky (Kwun Tong) Industrial Building (樂基官塘大廈), located at Nos. 398-402 Kwun Tong Road (formerly known as No.95 How Ming Street), Kowloon, Hong Kong (the "**Building**"), particularly the sole and exclusive right and privilege to hold use occupy and enjoy Factory A on the First Floor (including its Flat Roof) of the Building, Factory B on the First Floor (including its Flat Roof) of the Building, Sixth Floor of the Building, Seventh Floor of the Building, Eighth Floor of the Building, Ninth Floor of the Building, Tenth Floor of the Building, Eleventh Floor of the Building, Twelfth Floor of the Building, Roof of the Building, External Walls of the Building, Lavatory A and Lavatory B on the Ground Floor of the Building and Car Parking Spaces Nos.1, 2, 3, 14, 15, 16, 17, 18, 19, 20 and 21 on the Ground Floor of the Building with a total gross floor area of approximately 139,412 square feet according to developer's records of the Property and saleable area of approximately 113,862 square feet according to registered floor plans of the Property. The Property takes up 367 equal undivided 622nd parts or shares of the Land on which the Property is situated.

The different between total gross area and total saleable area of the Property is that a domestic unit is measured on the basis of "saleable area" which is defined as the floor area exclusively allocated to the unit including balconies and verandahs but excluding common areas such as stairs, lift shafts, pipe ducts, lobbies and communal toilets. It is measured from the outside of the exterior enclosing walls of the unit and the middle of the party walls between two units. Bay windows, yards, gardens, terraces, flat roofs, carports and the like are excluded from the area. Therefore, the saleable area was used to access fair value of the Property by Norton Appraisals Limited, an independent valuer appointed by the Company. Such report is disclosed in Appendix VI to this circular.

The Building is an industrial building comprises 13-storey, which was built in 1981. The Property has a total gross floor area of approximately 139,412 square feet. As mentioned in the section headed "Industry Overview" to this circular, industrial properties in Hong Kong are classified into four main categories, namely (i) private flatted factory; (ii) private industrial/office; (iii) private specialised factory; and (iv) private storage. Private flatted factory is a multi-storey industrial building which designed for general manufacturing processes and use, including offices, directly related to such process, and normally intended for sale or letting by the developers and can be constructed or converted into small and separately occupied units. Private industrial/office is multi-storey industrial building designed or certified for industrial and office use. Private specialised factory is primarily purpose-built for specialised manufacturing processes, and usually occupy by a single manufacturer or operator. Private storage is designed or adopted for use as warehouses or storage and including ancillary offices. The Property is classified into a category of private flatted factory which can be constructed or converted into small units. Based on the observation during the site visit, the Property is generally kept at reasonably good decorative conditions.

Kwun Tong is situated at the eastern part of the Kowloon Peninsula, Hong Kong with a total area of 1,130 hectares. Total population has approximately 565,000. Kwun Tong is an established residential and industrial district. Developments to the north of Kwun Tong Road are for commercial and residential purposes, whilst to the south of Kwun Tong Road are predominantly multi-storey flatted factories.

Kwun Tong is one of the earliest developed urban areas in Hong Kong. Its population has been growing rapidly, and the demand for housing, medical and educational facilities and services has been increasing. In view of this, a number of community development projects, such as the redevelopment of old housing estates and the construction of major parks have been implemented by Hong Kong Government in recent years.

The Building is located in between Millennium City Phrase One and Phrase Two, the commercial properties. Public transportation such as MTR and buses are available in the vicinity. In recent years, industrial restructuring and relocation of production lines and factories to the Mainland China have resulted in plenty of factory units being left vacant. A lot of the vacant factory units have gradually been converted into office premises or commercial use, such as Millennium City and the Commercial Mall, APM.

Based on the existing arrangements of the tenancy of the Property, the current monthly and the annualised rental income of the Property for the year of 2011 is approximately HK$1.04 million and approximately HK$12.39 million respectively (exclusive of government rates, management fee and all other outgoings and utility charges). The Property is subject to the HSBC Mortgage and charged to the HSBC.

BUSINESS PLAN IN RELATION TO THE PROPERTY

Currently, the Property is leasing to tenants for a term of one year each. According to the accountants' report of Rexdale as disclosed in Appendix III B to this circular, the Property provided rental income of approximately HK$7.40 million for the year of 2010. The

Company intends to hold the Property as investment property for resale purpose whilst to provide a stable source of income for the Enlarged Group.

As the Company intends to hold the Property as investment property for resale purpose, the Company has no intention to convert the Property into commercial use or office use as at the Latest Practicable Date.

REASONS FOR THE ACQUISITION

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

Following the 2008 financial crisis, investors are allocating their wealth from equities and structured products to real estate assets as they believe real estate assets provide not only a stable income flow in short run, but also an opportunity for capital gain in long run. Real estate assets are also effective against inflation. With a view to expand into property investment/development business, the Group entered into a joint venture agreement with an Independent Third Party on 21 July 2010 for the purpose of setting up a joint venture company engaging in the business of conducting, development and investing into real estate and related projects in Vietnam. As the Independent Third Party failed to obtain the relevant approvals and consents from the Government of Vietnam in relation to the setting up of the joint venture company on or before the long stop date, the joint venture agreement was lapsed on 31 December 2010. As stated in the Company's joint announcement with China Star Entertainment Limited dated 9 February 2011, the Company has intended to expand into property investment/development business on its own given the formation of the joint venture company cannot completed. Given land is a scarce resource in Hong Kong and the land supply of Hong Kong is limited, the Directors are positive on the Hong Kong property market. Accordingly the Directors consider that the terms of the Sale and Purchase Agreement and the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole on the following grounds:

(a) the Acquisition is in line with the Group's business strategy;

(b) the Acquisition presents an opportunity to the Group to expand into property investment business on its own; and

(c) the Property is located at Kwun Tong, a long-standing industrial area in Kowloon.

Despite the fact that there are abundant supply of industrial buildings and strong market competition in rental business of factory property in Kwun Tong, having considered that numbers of property nearby has been converted into shopping centers within the district and in particular, the Property is located at Kwun Tong district where the Hong Kong Government intended to expedite the transformation of Kowloon East into an attractive, alternative central business district by implement urban design and improved connectivity and the associated infrastructure to support Hong Kong's economic development, the Directors are of the view that the Acquisition is fair and reasonable and is in the interest of the Company and its Shareholders as it is likely that there would be a positive impact to the fair value of the Property in future.

During the financial years of 2006 to 2009, the Group had carried out property investment business in Beijing, the People's Republic of China via Shinhan-Golden Faith International Development Limited, a then wholly owned subsidiary of the Group. As such, the Directors consider that the Acquisition enables the Group to re-entry into property investment business.

Upon Completion, each of the Target Company, One Synergy and Rexdale will become a wholly owned subsidiary of the Company and their financial results will be consolidated into the consolidated financial statements of the Group. It is currently intended by the Company that it will hold the Property as an investment property for resale purpose. Whilst the Group will continue to carry out its existing businesses, the Group will also carry out the property investment business.

Having considered the potential growth of the property market in Hong Kong which enable the Group to enjoy the benefit from the capital appreciation of the property investment and the positive impact on the profitability of the Group, the Board is of the view that the Acquisition represents a good opportunity for the Company to participate in the property market in Hong Kong, and therefore is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

For the six months ended 30 June 2011, the Group recorded a revenue of HK$45.07 million, a 37% increase from HK$32.78 million for the same period of the previous year. This increase was mainly attributable to the increase in service fee income generated from provision of management services business. Profit for the six months ended 30 June 2011 amounted to HK$63.61 million, a 82% increase from HK$35.02 million for the correspondence period in 2010.

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 service business will report a moderate growth in the second half of 2011.

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 Listing Rules.

Although the setting up of the joint venture company engaging in the business of conducting, development and investing into real estate and related projects in Vietnam was lapsed, the Group's business strategy in expanding into property investment and development business remains unchanged and the Directors are actively seeking suitable property projects for the Group.

On 11 April 2011, the Company announced the proposed acquisition of the entire issued share capital of Citadines Ashley TST (Hong Kong) Limited and Citadines Ashley TST Management (Hong Kong) Limited at a cash consideration of HK$283.00 million from an Independent Third Party. The principal activity of Citadines Ashley TST (Hong Kong) Limited is property investment. The principal asset of Citadines Ashley TST (Hong Kong) Limited is the property located at No. 18 Ashley Road, Tsimshatsui, Kowloon, Hong Kong (the "**Ashley Property**"). The principal activity of Citadines Ashley TST Management (Hong Kong) Limited is the operation of serviced apartments. For more information on Citadines Ashley TST (Hong Kong) Limited and Citadines Ashley TST Management (Hong Kong) Limited and the Ashley Property, please refer to the Company's circular dated 17 October 2011 for details. As the proposed acquisition of the entire issued share capital of Citadines Ashley TST (Hong Kong) Limited and Citadines Ashley TST Management

(Hong Kong) Limited constitutes a very substantial acquisition of the Company under the Listing Rules, the proposed acquisition was subject to the Shareholders' approval at the special general meeting of the Company held on 3 November 2011. However, the proposed acquisition was not approved by the Shareholders at the special general meeting.

Following Completion, each of the Target Company, One Synergy and Rexdale will become a wholly owned subsidiary of the Company. Upon Completion, the Enlarged Group will carry out property investment business in Hong Kong. The Directors believes that the Acquisition will not only provide the Enlarged Group with an opportunity for capital appreciation of the property, but also a stable income source to the Enlarged Group, which strengthens the business of the Enlarged Group.

On 12 September 2011, Rich Daily has been informed by the Gaming Promoter that the Services Agreement, which is one of the services agreements held by Rich Daily, will be terminated with effect from the date after the first anniversary of the Termination Notice. Pursuant to the terms of the Services Agreement, the Gaming Promoter or Rich Daily may terminate the Services Agreement by giving not less than 12 month's prior written notice.

According to a preliminary assessment by the Directors, it is expected that the termination of the Services Agreement have the following financial impacts on the Enlarged Group:

(a) given the termination of the Services Agreement becoming effective on 12 September 2012, there is no immediate impact on the revenue of the Enlarged Group's provision of management services business for the year ending 31 December 2011 and the six months ending 30 June 2012;

(b) Rich Daily shall continue to carry out the business of provision of management services to the concierge department of other gaming promoter in Macau after 12 September 2012, being the date on which the termination of the Services Agreement becoming effective, pursuant to the remaining services agreement held by it;

(c) given that the management services fee income generated from the Services Agreement represents approximately 77% and 92% of the total revenue of the Enlarged Group for the year ended 31 December 2010 and the six months ended 30 June 2011 respectively or approximately 82% and 92% of the total revenue of the Enlarged Group's provision of management services business for the year ended 31 December 2010 and the six months ended 30 June 2011 respectively,

    (i) there will be a substantial decrease in the revenue of the Enlarged Group's provision of management services business from 12 September 2012, being the date of termination of the Services Agreement; and

(ii) a substantial impairment loss in respect of intangible assets shall be recognised in the year ending 31 December 2011; and

(d) the Enlarged Group may incur a substantial loss for the year ending 31 December 2011 as a result of the recognition of the impairment loss.

Despite the above financial impacts on the Enlarged Group, the Directors are of the view that the financial position of the Enlarged Group remains sound.

As the termination of the Services Agreement becomes effective on 12 September 2012 and the Enlarged Group has resources and expertise in provision of management services available, the Directors shall actively explore opportunities in providing management services to the concierge departments of other gaming promoters in Macau in order to revitalise the Enlarged Group's provision of management services business.

In forming the view of the financial position of the Enlarged Group remaining sound, the Directors were based on the consolidated net assets of the Group adjusted for the recognition of a full impairment of intangible assets which is wholly related to the Group's provision of management services business. Based on the interim report of the Company for the six months ended 30 June 2011, the adjusted consolidated net assets of the Group was HK$1,016.67 million, which remained over HK$1.00 billion. In addition, the Directors consider that the Group has sufficient working capital for its operations after taking into account of the cash outlays for committed notifiable transactions of the Acquisition, the subscription of the first tranche of convertible bonds in the principal amount of HK$350.00 million to be issued by China Star Entertainment Limited and the repayment of the Promissory Note.

Following Completion and the termination of the Services Agreement, the Enlarged Group will continue to carry out its existing businesses. In addition, the Directors have no agreement, arrangement, understanding, intention or negotiation about any disposal, termination or scaling-down of the Enlarged Group's existing businesses.

Other than property investment and development, the Directors are active in identifying potential investment targets and expanding new business activities for distributing constant real return to the Shareholders.

FINANCIAL EFFECTS OF THE ACQUISITION

Assets

As at 31 December 2010, the audited consolidated total assets of the Group amounted to HK$1,397.40 million.

As set out in Appendix V to this circular, assuming completion of the Acquisition had taken place on 31 December 2010, the unaudited pro forma consolidated total assets of the Enlarged Group would be HK$1,570.17 million.

Liabilities

As at 31 December 2010, the audited consolidated total liabilities of the Group amounted to HK$52.74 million.

As set out in Appendix V to this circular, assuming completion of the Acquisition had taken place on 31 December 2010, the unaudited pro forma consolidated total liabilities of the Enlarged Group would be HK$226.51 million.

Earnings

The Group recorded an audited consolidated loss of HK$356.46 million for the year ended 31 December 2010.

As set out in Appendix V to this circular, assuming completion of the Acquisition had taken place on 1 January 2010, the unaudited pro forma consolidated loss of the Enlarged Group for the year ended 31 December 2010 would be HK$321.04 million.

As stated in the section headed "Business Plan in Relation to the Property", the Company intends to hold the Property as investment property for resale purpose whilst to provide a stable source of income for the Enlarged Group, the Directors anticipate the following financial effects on the earnings from the Acquisition:

(a) prior to the disposal of the Property, an ongoing rental income and a gain or loss arising from changes in fair value of the Property will be recorded by the Enlarged Group for each financial year; and

(b) upon the disposal of the Property, a gain or loss on disposal of investment properties (calculated as the different between the net disposal proceeds and the carrying amount of the Property) will be recorded by the Enlarged Group.

Gearing

As at 31 December 2010, the Group had no borrowings.

Assuming completion of the Acquisition had taken place on 31 December 2010, the total borrowings of the Enlarged Group would be HK$118.00 million and the gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of the Company would be 8.78%.

RISKS FACTORS

The Company is entering into large-scale investment in new business and may pose significant challenges to the Enlarged Group

The Company is entering into a large-scale investment which may pose significant challenges to the Enlarged Group's administrative, financial and operational resources. The Enlarged Group may also subject to the operational risks which cannot be controlled by the Board, for instance, the global economic slowdown or government policies which may adverse affect the fair value of the Property and decrease in rental prices of the property in Hong Kong. Given the scale of investment in new business is large, the Board is not in a position to assure the timing and amount of any return that may be generated from the new businesses, nor is it in a position to control the operational risks that could lead to a loss of the Enlarged Group in future. In such respect, as a risk mitigating measure and an integral part of the Acquisition, the Board will closely monitor the operations of the new business so as to ensure the existing plan of the operations of the Target Group and the Property can be carried out properly as it used to be upon Completion.

Substantial decline in fair value of the Property may affect the financial position of the Enlarged Group

The fair value of the Property can be affected by numerous factors which are beyond the control of the Enlarged Group, including but not limited to, Hong Kong's economic conditions and global economic conditions or substantial increasing in interest rate of mortgage loan, which in turn affect the fair value of the Property. Any significant and sustained adverse movement of the global economic conditions may shrink the overall economy of Hong Kong. In the event that such adverse movement incur, the financial position of the Enlarged Group may be affected by the decline of the fair value of the Property and any adjustments to the fair value of the Property will have material financial impact to the operation of the Enlarged Group.

Dependency of the rental income and competition for tenants

Leasing of the Property will provide a stable source of income to the Enlarged Group. The Enlarged Group may subject to risks incidental to rental property sector, among other things, changes in market rental levels, competition for tenants and inability to collect rent from tenants or renew leases with tenants due to many reasons. In addition, the Enlarged Group may not be able to renew leases with its tenants on terms acceptable to the Enlarged Group, or at all, upon the expiration of the existing terms of the lease. Furthermore, the global financial crisis that unfolded in 2008 and continued during 2009 resulted in a marked slowdown in world economic growth, economic contractions in certain markets, more commercial and consumer delinquencies, weakened consumer confidence and increased market volatility in Hong Kong. The slowdown of the worldwide economy also caused a decrease in rental prices of property in Hong Kong. The market volatility and uncertainty caused by the global financial crisis also contributed to a lower demand for properties and decline in their rents. While there are signs that the economies of Hong Kong remain strong, the Enlarged Group cannot assure that any downturn in the rental market could negatively affect the demand for its rental property and the amount of rental income to be earned by the Enlarged Group. In such case, it may material effect the business, results of operations and financial position of the Enlarged Group.

To mitigate the risk of losing tenants, the Enlarged Group will closely monitor the market sentiments around the area in order to retain tenants of the Property by offering a competitive rent.

Design and quality of the Property

Although the Property is generally kept at reasonably good decorative conditions, the design and quality of the Property was worn out after the usage of thirty years. The Property may require substantial amounts of expenditure, such as refurbishments or redevelopments of external wall, elevators, cargo lifts or sewer system, which the Enlarged Group may not anticipate as at the Latest Practicable Date. If the operating cash inflow of the Property is unable to finance such expenditures, additional capital expenditures may be required by the Enlarged Group which may affect the financial position of the Enlarged Group.

Sensitive to global economy

The global financial crisis that unfolded in 2008 and continued during 2009 resulted in a marked slowdown in world economic growth, economic contractions in certain markets, more commercial and consumer delinquencies, weakened consumer confidence and increased market volatility in Hong Kong. The slowdown of the worldwide economy also caused a decrease in rental prices of property in Hong Kong. The market volatility and uncertainty caused by the global financial crisis also contributed to a lower demand for properties and decline in their rents. While there are signs that the economies of Hong Kong has begun to recover, the Enlarged Group cannot assure that the global financial crisis will not return or any other factors which may affect the economy globally. Any global economic slowdown may adversely affect the business of the tenants and decrease in the rental of the Property. It could reduce the rental income from the Property and have material impact on the results of operation of the Enlarged Group.

Accidents, injuries or prohibited activities in the Property and associated potential liabilities

There are inherent risks of accidents, injuries or prohibited activities (such as illegal drug use, gambling, violence or prostitution by guests) taking place in the Property. The occurrence of one or more accidents, injuries or prohibited activities at the Property could adversely affect the safety reputation of the Property, decrease the occupancy rate and increase the Enlarged Group's costs by requiring the Enlarged Group to implement additional safety measures. In addition, if accidents, injures or prohibited activities occur at the Property, the Enlarged Group may be held liable for costs or damages and fines. The property and liability insurance policies of the Property may not provide adequate or any coverage for such losses, and the Enlarged Group may not be able to renew its insurance policies or obtain new insurance policies without increase in premium and deductible or decrease in coverage level, or at all.

To mitigate such risk, the Enlarged Group shall work with a reputable insurance agent for coming up an insurance for the Property with proper coverage, in light of the premium paid verse the performance budget of the Property.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. The Sale and Purchase Agreement, the Supplemental Agreement, the Deed of Indemnity and the transactions contemplated thereunder are therefore subject to the Shareholders' approval at the SGM. The SGM will be convened to approve the Sale and Purchase Agreement, the Supplemental Agreement, the Deed of Indemnity and the transactions contemplated thereunder. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, no Shareholder is required to abstain from voting to approve the Sale and Purchase Agreement, the Supplemental Agreement, the Deed of Indemnity and the transactions contemplated thereunder at the SGM.

THE SGM

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 Connuaght Road Central, Hong Kong on Monday, 12 December 2011 at 3:20 p.m. (or immediately after the conclusion of the special general meeting of the Company which is scheduled to be held on the same day at 3:10 p.m.) for the purpose of considering and, if thought fit, passing, with or without amendments, the resolution to approve the Sale and Purchase Agreement, the Supplemental Agreement, the Deed of Indemnity and the transactions contemplated thereunder is set out on pages 201 to 202 of this circular.

A form of proxy for use by the Shareholders at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the Sale and Purchase Agreement, the Supplemental Agreement, the Deed of Indemnity and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend that Shareholders should vote in favour of the resolution proposed at the SGM.

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

MANAGEMENT DISCUSSION AND ANALYSIS EXTRACTED FROM ANNUAL REPORTS AND INTERIM REPORT OF THE COMPANY

Set out below is the management discussion and analysis extracted from the annual report of the Company for each of the three years ended 31 December 2008, 2009 and 2010 and the interim report of the Company for the six months ended 30 June 2011.

(I) FOR THE SIX MONTHS ENDED 30 JUNE 2011

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.

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.

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.

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 and Citadines Ashley TST Management (Hong Kong) Limited; 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.

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 leaded 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.

With a view to improve profitability and diversify revenue sources, the Group re-entries 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 Ashley TST (Hong Kong) Limited (the "Citadines TST") and Citadines Ashley TST Management (Hong Kong) Limited (the "Citadines TST 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 TST 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 Lucky (Kwun Tong) Industrial Building located at 398 Kwun Tong Road, Kowloon, Hong Kong (the "Kwun Tong Property"). Lucky (Kwun Tong) Industrial 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.

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.

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.

(II) FOR THE YEAR ENDED 31 DECEMBER 2010

Financial Review

Results of operations

During the year ended 31 December 2010, the Group recorded a revenue of HK$78,200,000, a 4.67% increase from HK$74,711,000 for the previous year. Of the total turnover amount, HK$73,610,000 was generated from provision of management services and HK$4,590,000 was generated from sales of financial assets. Loss for the year ended 31 December 2010 amounted to HK$356,457,000, whereas the Group recorded a profit of HK$416,562,000 for the previous year. The deterioration was mainly attributable to a loss on deemed disposal of an associate of HK$537,615,000 which was partly offset by a gain on early repayment of promissory note receivable of HK$64,627,000 and a gain on early repayment of convertible notes receivable of HK$75,962,000.

Cost of sales for the year amounted to HK$632,000, which was wholly related to provision of management services. Based on the turnover of HK$73,610,000, the gross profit margin for provision of management services was 99.14%.

Other revenue and other income increased by 45.70% from HK$11,905,000 in the year ended 31 December 2009 to HK$17,346,000 in the year ended 31 December 2010. This increase was mainly attributable to the receipt of a compensation of HK$4,938,000 for a shortfall in service fee income guarantee given to the Group.

Administrative expenses (before depreciation and impairment loss recognised in respect of trade receivables) amounted to HK$13,943,000 for the year ended 31 December 2010, a 16.18% decrease from HK$16,634,000 for the previous year. This decrease was mainly attributable to the decreases in share-based payment expenses in respect of consultancy services and staff costs which were partly offset by the increases in legal and professional fees and office rental.

The directors reassessed the recoverable amounts of management services agreements held by the Group at the end of financial year of 2010 with reference to the valuations performed by an independent firm of professional valuers and, in light of the non-achievement of the service fee income guarantee for the 12-month ended 30 June 2010, an impairment loss on intangible assets of HK$4,856,000 was recognised.

During the year ended 31 December 2010, the Group ceased to have significant influence over China Star Film Group Limited ("China Star Film", now known as KH Investment Holdings Limited) and was deemed to dispose of its shareholding interest in China Star Entertainment Limited ("China Star Entertainment"). As a result, the Group discontinued to account for China Star Film and China Star Entertainment as associates. The Group reclassified its investments in China Star Film and China Star Entertainment as financial assets at fair value through profit or loss and available-for-sale financial assets, respectively. Accordingly, the Group recognised a loss on losing significant influence of an associate of HK$21,028,000, a loss on deemed disposal of an associate of HK$537,615,000 and a loss arising on change in fair value of available-for-sale financial assets of HK$14,280,000. Please refer to the section headed "Material disposals" below for more details.

During the year ended 31 December 2010, China Star Film and China Star Entertainment contributed losses of HK$543,000 and HK$8,828,000 to the Group respectively.

On 26 May 2010, the convertible notes receivable of HK$100,000,000 and the promissory note receivable of HK$100,000,000 were repaid by China Star Film before their maturity. The Group recorded a gain on early repayment of promissory note receivable of HK$64,627,000 and a gain on early repayment of convertible notes receivable of HK$75,962,000. In addition, the Group reassessed the fair value in respect of the conversion options embedded in the convertible notes receivable as at the date of repayment with reference to the valuation performed by an independent firm of professional valuers and recognised a gain arising on change in fair value of HK$1,525,000.

In October 2010, the Group sold 6,750,000 shares (the "Hantec Sale Shares") in Hantec Holdings Investment Limited ("Hantec") to Mr. Man Kong Yui at a consideration of HK$21,600,000. Taking into account the fair value of the consideration paid and the call option granted, the Group recorded a gain on disposal of available-for-sale financial assets of HK$7,579,000. Please refer to the sections headed "Material acquisition" and "Material disposals" below for more details.

During the year ended 31 December 2010, the Group recognised a gain arising on change in fair value of financial assets at fair value through profit or loss of HK$4,918,000, representing a gain of HK$3,150,000 arising from revaluating the Group's stocks portfolio at market prices and a gain of HK$1,768,000 arising from the bonus issue of warrants by China Star Entertainment.

To reduce its finance costs, the Company early redeemed the convertible notes of HK$72,000,000 payable to Well Will Investment Limited on 26 July 2010 and recognised a loss on early redemption of convertible notes payable of HK$1,062,000.

Finance costs decreased from HK$8,086,000 in the year ended 31 December 2009 to HK$3,041,000 in the year ended 31 December 2010. It was mainly attributable to the decrease in imputed interest expense on convertible notes payable resulted from the early redemption of convertible notes of HK$72,000,000 payable by the Company on 26 July 2010.

Liquidity and financial resources

During the year ended 31 December 2010, the Group mainly funded its operations through a combination of cash generated from operations, equity attributable to owners of the Company, convertible notes payable and issue of new shares. Equity attributable to owners of the Company decreased from HK$1,371,044,000 at 31 December 2009 to HK$1,344,663,000 at 31 December 2010.

At 31 December 2010, the cash and cash equivalents of the Group amounted to HK$989,625,000 (31 December 2009: HK$275,802,000). This increase was mainly attributable to the repayment of loan of HK$155,536,000 by 上海昇平文化發展有限公司 ("Shanghai Shengping"), a subsidiary of China Star Film, the early repayment of convertible notes receivable of HK$100,000,000 and promissory note receivable of HK$100,000,000 by China Star Film and the fund raising activities conducted by the Company raising net proceeds of HK$350,230,000.

At 31 December 2010, the Group had no borrowings.

At 31 December 2010, the Group's net current assets and current ratio were HK$994,811,000 (31 December 2009: HK$450,386,000) and 80.09 (31 December 2009: 40.48), respectively.

Capital structure

During the year ended 31 December 2010, the capital structure of the Company had the following changes:

(a) on 16 April 2010, the Company issued 26,420,000 new shares credited as fully paid to Mr. Man Kong Yui for settling the consideration of HK$18,000,000 for acquiring the Hantec Sale Shares;

(b) on 29 April 2010, the Company issued 5,680,000 new shares at a price of HK$0.64 per share and 5,830,000 new shares at a price of HK$0.60 per share pursuant to the exercise of share options granted to the directors and the Group's employees and consultants;

(c) on 5 May 2010, the Company issued 990,000 new shares at a price of HK$0.60 per share and 1,600,000 new shares at a price of HK$0.64 per share pursuant to the exercise of share options granted to the Group's employees and consultants;

(d) on 10 June 2010, the Company issued 960,000 new shares at a price of HK$0.66 per share pursuant to the exercise of share options granted to an employee of the Group;

(e) on 23 July 2010, the Company issued 45,920,000 new shares at a price of HK$0.55 per share by way of placing of new shares under general mandate raising HK$24,900,000 (net of expenses) for general working capital of the Group; and

(f) on 29 September 2010, the Company issued 826,584,147 rights shares at a subscription price of HK$0.40 per share by way of rights issue to qualifying shareholders on the basis of three rights shares for every one existing share held on 3 September 2010 raising HK$325,330,000 (net of expenses) for funding the loan facility to be granted to a joint venture company.

Material acquisition

On 16 April 2010, the Group acquired the Hantec Sale Shares from Mr. Man Kong Yiu at a consideration of HK$18,000,000, which was settled by the Company in issuing 26,420,000 new shares credited as fully paid to Mr. Man. The fair value of the new shares issued was HK$14,003,000.

Material disposals

During the year ended 31 December 2010, the Group had the following material disposals:

(a) Following the resignation of Mr. Heung Wah Keung, a then executive director of the Company, as a director of China Star Film on 21 January 2010, the Group ceased to have significant influence over China Star Film. Accordingly, the Group accounted for its investment in China Star Film as financial assets at fair value through profit or loss, instead of an associate, and recognised a loss on losing significant influence of an associate of HK$21,028,000.

(b) On 13 January 2010, China Star Entertainment issued 52,790,000 new shares upon the exercise of shares options granted to its employees, which caused a dilution on the Group's interest in China Star Entertainment from 29.61% to 28.94%. The Group was deemed to dispose of 0.67% shareholding interest in China Star Entertainment and recognised a loss on deemed disposal of an associate of HK$10,790,000.

(c) On 11 February 2010, China Star Entertainment issued 540,000,000 new shares pursuant to a private placement causing a dilution on the Group's interest in China Star Entertainment from 28.94% to 23.54%. The Group was deemed to dispose of 5.40% shareholding interest in China Star Entertainment and recognised a loss on deemed disposal of an associate of HK$95,343,000.

(d) On 11 August 2010, China Star Entertainment issued 1,444,643,184 new shares pursuant to the rights issue proposed on 8 July 2010. As the Group did not take up its entitlement under the rights issue, the Group's interest in China Star Entertainment was diluted from 23.54% to 15.69% and ceased to have significant influence over China Star Entertainment. The Group has accounted for its investment in China Star Entertainment as available-for-sale financial assets, instead of an associate, and recognised a loss on deemed disposal of an associate of HK$431,482,000 and a loss arising on change in fair value of available-for-sale financial assets of HK$14,280,000.

(e) On 27 October 2010, Mr. Man Kong Yui exercised the call option, which was granted to him by the Group under the conditional sale and purchase agreement dated 31 March 2010, to require the Group to sell the Hantec Sale Shares to him at a consideration of HK$21,600,000. The disposal of the Hantec Sale Shares was completed on 28 October 2010 and the Group recognised a gain on disposal of available-for-sale financial assets of HK$7,579,000.

Loan to Shanghai Shengping

In May 2010, Shanghai Shengping fully repaid the loan of HK$155,536,000.

The loan was secured by a corporate guarantee given by China Star Film, interest-free and had no fixed terms of repayment.

Pledge of assets

At 31 December 2010, no assets of the Group were pledged.

Commitments

At 31 December 2010, the Group had no material commitments.

Exchange risk and hedging

During the year ended 31 December 2010, the 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 31 December 2010, the Group had no material contingent liabilities.

Employees and remuneration policy

At 31 December 2010, the headcount of the Group was 10 (2009: 21). Staff costs (including directors' remuneration) amounted to HK$3,463,000 (2009: HK$8,903,000 for continuing operations; HK$942,000 for discontinued operations). In addition to basic salaries, provident fund and discretionary bonus, staff benefits include medical scheme and share options.

Operations Review

During the year ended 31 December 2010, 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.

Due to Europe's sovereign debt and bank anxiety, equity markets were volatile in the second quarter of 2010, the Group has started to rebuild its stocks portfolio by investing in equities of Hong Kong small and medium capitalisation companies. Following the cessation of significant influence over China Star Film, the Group disposed of its entire investment in China Star Film on market in May 2010. As the Group did not take up any of its entitlement under the rights issue proposed by China Star Entertainment, the Group sold the nil-paid rights shares in China Star Entertainment on market in July 2010. The Group reported a profit of HK$4,590,000 for its sale of financial assets business in the year ended 31 December 2010.

During the year ended 31 December 2010, the Group's provision of management services business generated services fee income amounted to HK$73,610,000, a 21.69% increase as compared to the previous year. The increase was mainly due to a strong growth in Macau VIP gaming revenue in 2010. The directors believe that the strong growth in Macau VIP gaming revenue was a direct result of the Mainland China's economic growth coupled with a lending boom.

On 16 April 2010, the Group acquired the Hantec Sale Shares at a consideration of HK$18,000,000 from Mr. Man Kong Yui and granted the call option to Mr. Man to acquire the Hantec Sale Shares from the Group for a consideration of HK$21,600,000 within one year from the date of completion. Pursuant to the conditional sale and purchase agreement dated 31 March 2010, Mr. Man had given a dividend guarantee for not less than HK$1,800,000 per annum for the period from 16 April 2010, being the date of completion of the acquisition, to 30 June 2012. On 17 May 2010, Hantec notified the Group that the registration of the transfer of the Hantec Sale Shares had been declined pursuant to the articles of association of Hantec. On 20 May 2010, a trust deed was executed by Mr. Man as trustee in favour of the Group as beneficiary, pursuant to which Mr. Man had agreed to act as nominee for the Group in respect of the Hantec Sale Shares and to hold the Hantec Sale Shares on trust for the Group. On the same date, Mr. Man gave an undertaking in favour of the Group that he should procure the registration of transfer of the Hantec Sale Shares within six months from the date of the undertaking and, if he failed to procure the registration within the prescribed time, exercise the call option to acquire the Hantec Sale Shares from the Group at HK$21,600,000. As Mr. Man failed to procure the registration of transfer of the Hantec Sale Shares within the prescribed time, Mr. Man exercised the call option to acquire the Hantec Sale Shares from the Group at HK$21,600,000 on 27 October 2010. Taking into account the fair value of the consideration paid and the call option granted, the Group recognised a gain on disposal of the Hantec Sale Shares of HK$7,579,000. The Group also recognised a dividend income of HK$962,000 from the Hantec Sale Shares.

On 24 June 2010, the Group entered into a joint venture agreement with Yiu Hing International Limited ("Yiu Hing") relating to the formation of a joint venture company engaged in growing and sale of organic vegetables in Mainland China. Pursuant to the joint venture agreement, the joint venture company is owned as to 50% by the Group and as to 50% by Yiu Hing and each of the Group and Yiu Hing shall contribute HK$30,000,000 in cash as capital. As the joint venture company was not able to obtain the land use rights for growing organic vegetables within 60 days from the date of the joint venture agreement, the Company announced on 24 August 2010 that the joint venture agreement was ceased and determined. The capital of HK$30,000,000 contributed made by the Group was returned to the Group and Yiu Hing paid a compensation of HK$1,500,000 to the Group on that date.

With a view to expand into real estate business in Vietnam, the Group entered into a joint venture agreement with Campbell Shillinglaw & Partners (Vietnam) Limited ("Campbell") and Victory Peace Holdings Limited on 21 July 2010, pursuant to which the Group and Campbell have conditionally agreed to setting up a joint venture company, namely Victory Peace Holdings Limited, to engage in the business of conducting, development and investing into real estate and related projects in Vietnam. The joint venture company is held as to 90.1% by the Group and 9.9% by Campbell. On the same date, the Company and the joint venture company entered into the facility agreement, pursuant to which the Company has conditionally agreed to grant a revolving credit facility of HK$700,000,000 to the joint venture company to proceed with its business of conducting, development and investing into real estate and related projects in Vietnam. The formation of the joint venture company and the granting of revolving credit facility to the joint venture company were approved by the shareholders on 3 September 2010. As Campbell failed to obtain the relevant approvals and consents from the Vietnam Government in relation to its acquiring a 9.9% equity interest in the joint venture company on or before 31 December 2010, being the long stop date of the joint venture agreement, the joint venture agreement has lapsed with effect from 31 December 2010.

Future Prospects

The directors believe that the key risks of 2011 are slower-than-expected US GDP growth, intensified European sovereign debt crises, supply disruption from the Tohoku Earthquake and other troubles in the Western economies and they may disrupt equities markets over the course of 2011. The directors continue to see market weakness as an opportunity to the Group for building its portfolio for sustainable growth. The Group continues to adopt a prudence approach in investing equities to enhance the returns to its shareholders.

Despite the fact that the Macau VIP gaming revenue had a 70% growth in 2010, the directors believe that the grow in gaming revenue will be smoother in 2011 as Mainland China has already launched tightening measures to combat inflation. The directors expect that the overall performance of the Group's provision of management services business will report a mild growth in 2011.

Although the setting up of the joint venture company engaging in the business of conducting, development and investing into real estate and related projects in Vietnam was lapsed, the Group's business strategy in expanding into property investment and development business remains unchanged and the directors are actively seeking suitable property projects for the Group. The directors are also active in identifying potential investment targets and expanding new business activities for distributing constant real returns to the Company's shareholders.

Events after the Reporting Period

On 21 January 2011, the Company and China Star Entertainment entered into a subscription agreement pursuant to which China Star Entertainment has conditionally agreed to issue and the Company has conditionally agreed to subscribe or procure subscription for 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 Company to convert their principal amount into shares in China Star Entertainment at an initial conversion price of HK$0.08 per share (subject to adjustment). The subscription of the convertible bonds constitutes a major transaction and the conversion of the convertible bonds constitutes a very substantial acquisition for the Company under the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Accordingly, the subscription and the conversion of the convertible bonds are subject to the notification, publication and shareholders' approval requirements. Please refer to the Company's announcement dated 9 February 2011 for details.

(II) For the year ended 31 December 2009

Financial Review

During the year, the Group disposed of its entire interest in the issued share capital of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and World East Investments Limited ("World East") together with the loans due by each of them to the Group. The major assets of Shinhan-Golden and World East are their interests in the registered capital of 北京莎瑪房地產開發有限公司 ("Beijing Suoma"). The principal activity of Beijing Suoma is property investment. Accordingly, the results of Shinhan-Golden and World East and their subsidiaries, namely Beijing Suoma, 上海昇平文化發展有限公司 ("Shanghai Shengping") and Beijing Jianguo Real Estate Development Co., Limited (collectively the "Disposal Group") are presented separately as discontinued operations.

Profit for the year ended 31 December 2009 from continuing and discontinued operations was HK$416,562,000, whereas the Group recorded a loss of HK$224,508,000 for the previous year.

Results of continuing operations

During the year ended 31 December 2009, the Group recorded a revenue of HK$74,711,000, a 288% increase from HK$19,253,000 for the previous year. The significant increase in revenue was attributable to the full year effect of the Group's expansion into provision of management services business in August 2008 and the turnaround in the performance of sales of financial assets. Of the total turnover amount, HK$60,491,000 or 81% was generated from provision of management services and HK$14,220,000 or 19% was generated from sales of financial assets. Profit for the year ended 31 December 2009 from continuing operations was HK$422,138,000, whereas the Group recorded a loss of HK$96,736,000 for the previous year. The turnaround was mainly attributed to a gain on excess of acquirer's interest in fair value of associates' identifiable net assets over cost of acquisition of HK$702,500,000 and a gain on adjustment to cost of combination in respect of an acquisition in prior year of HK$103,434,000, which were partly offset by impairment loss on intangible assets of HK$117,320,000 and losses on disposal of subsidiaries and associates of HK$328,888,000.

Cost of sales for the year ended 31 December 2009 amounted to HK$1,362,000, which was wholly related to provision of management services. Based on the turnover of HK$60,491,000, the gross profit margin for provision of management services was 97.75%.

As there was a V-shaped recovery in Hong Kong equity market in 2009, the Group increased its sales of financial assets activities and posted a gain on sales of financial assets of HK$14,220,000 during the year.

Other revenue and other income increased by 391% from HK$2,427,000 in the year ended 31 December 2008 to HK$11,905,000 in the year ended 31 December 2009. The significant increase was due to interest income of HK$5,102,000 arising from loan advanced to and convertible note receivable from China Star and imputed interest income of HK$5,901,000 arising from promissory note receivable.

Administrative expenses (before depreciation, impairment loss recognised in respect of trade receivables and loss on disposal of property, plant and equipment) amounted to HK$16,634,000 for the year ended 31 December 2009, a 35% decrease from HK$25,768,000 for the previous year. The decrease was mainly attributable to the payment of consultancy fee of HK$1,650,000 and tax surcharge of HK$3,637,000 in the year ended 31 December 2008, whereas no such expenses in the year ended 31 December 2009. In addition, the Group recorded a decrease in legal and professional fees of HK$3,150,000 in the year ended 31 December 2009 due to the increased corporate activities in the previous year.

During the year, the directors reassessed the recoverable amounts of management services agreements held by Rich Daily Group Limited (“Rich Daily”) with reference to the valuations performed by an independent firm of professional valuers. In light of the non-achievement of the service fee income guarantee for the 12-month ended 30 June 2009, an impairment loss on intangible assets of HK$117,320,000 was recognised.

As the closing price per share in China Star Film Group Limited (formerly known as Golife Concepts Holdings Limited (“CSFGL”)) (stock code: 8172) dropped to HK$0.315 on 31 December 2009, the Group recognised a loss on fair value change in conversion options embedded in convertible note receivable from CSFGL of HK$64,542,000.

Pursuant to the sale and purchase agreement dated 28 February 2008 relating to the acquisition of Rich Daily, Mr. Ng Cheuk Fai has irrevocably and unconditionally guaranteed to the Group that the service fee income of Rich Daily for the 12-month ended 30 June 2009 shall not be less than HK$72,000,000. However, the actual service fee income of Rich Daily for the 12-month ended 30 June 2009 was HK$57,224,000. According to the sale and purchase agreement, the consideration for acquiring Rich Daily has to be adjusted from HK$504,000,000 to HK$400,566,000.

The adjustment to the consideration of HK$103,434,000 was settled by deducting HK$72,000,000 from a convertible note payable to Well Will Investment Limited on a dollar for dollar basis and cash payment of HK$31,434,000 from Mr. Ng Cheuk Fai. As a result, the Group recorded a gain on adjustment to cost of combination in respect of an acquisition in prior year of HK$103,434,000 and a loss on cancellation of convertible note payable of HK$18,247,000.

Finance costs increased by 141% from HK$3,350,000 in the year ended 31 December 2008 to HK$8,086,000 in the year ended 31 December 2009. The increase was mainly due to the full year effect of the imputed interest expense on convertible notes payable to Well Will Investment Limited as the convertible notes were issued in August 2008.

The Group recorded a tax credit of HK$14,493,000 which represented deferred tax credits of HK$14,078,000 on release of impairment loss on intangible assets and HK$415,000 on imputed interest expense on convertible notes payable.

Results of discontinued operations

Loss from property investment improved by 96% from HK$127,772,000 in the year ended 31 December 2008 to HK$5,576,000 in the year ended 31 December 2009. This improvement was mainly attributable to the recognition of a loss on fair value change in investment properties of HK$74,045,000 and an impairment loss on goodwill of HK$40,382,000 in the year ended 31 December 2008, whereas the Group recorded a gain on fair value change in investment properties of HK$2,002,000 and no impairment loss on goodwill in the year ended 31 December 2009.

Liquidity and financial resources

During the year ended 31 December 2009, the Group mainly funded its operations through a combination of cash generated from operations, equity attributable to the Company's owners, bank borrowings, convertible notes payable and issuance of new shares. Equity attributable to the Company's owners at 31 December 2009 amounted to HK$1,371,044,000 (2008: HK$894,423,000).

At 31 December 2009, the cash and cash equivalents of the Group amounted to HK$275,802,000 (2008: HK$7,218,000). The significant increase in cash and cash equivalents was mainly attributable to the repayment of HK$220,000,000 to the Group by Shanghai Shengping and the funds raised from issuance of new shares.

At 31 December 2009, the total borrowings of the Group amounted to HK$54,563,000 (2008: HK$106,403,000), representing the liability component of the convertible note of HK$72,000,000 which is unsecured, interest bearing at 5% per annum and maturing on 28 August 2018. The decrease in total borrowings was mainly attributable to the cancellation of a convertible note of HK$72,000,000 in settling the adjustment to the consideration for acquiring Rich Daily. The gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's owners was 4% (2008: 12%).

Net current assets and current ratio

At 31 December 2009, the Group's net current assets and current ratio were HK$450,386,000 (2008: HK$602,720,000) and 40.5 (2008: 2.3), respectively.

Capital structure

On 9 January 2009, 39,000,000 new shares of HK$0.01 each were issued at a price of HK$0.102 per share by way of top-up subscription of new shares under general mandate raising HK$3,820,000 (net of expenses) for reducing the Group's bank borrowings.

On 11 February 2009, 200,000,000 new shares of HK$0.01 each were issued at a price of HK$0.102 per share by way of placing of new shares under specific mandate raising HK$19,870,000 (net of expenses) for reducing the Group's bank borrowings.

On 20 February 2009, the directors proposed the following changes to the capital of the Company in order to reduce the overall transaction and handling costs for dealing in the Company's shares:

(a) share consolidation — that every ten issued existing shares of HK$0.01 each be consolidated into one issued consolidated share of HK$0.10; and

(b) capital reduction — that (i) the total number of consolidated shares of HK$0.10 each in the issued share capital of the Company following the share consolidation be rounded down to a whole number by cancelling the fractional share arising from the share consolidation; (ii) the nominal value of each of the issued consolidated shares of HK$0.10 be reduced to HK$0.01 by cancelling the paid-up capital to the extent of HK$0.09 on each issued consolidated share; and (iii) the amount of credit arising from capital reduction be credited to the contributed surplus account of the Company.

The capital reorganisation was approved by the shareholders on 22 April 2009 and became effective on 23 April 2009.

On 2 March 2009, 300,000,000 new shares of HK$0.01 each were issued at a price of HK$0.091 per share by way of placing of new shares under specific mandate raising HK$26,850,000 (net of expenses) for reducing the Group's bank borrowings.

On 30 March 2009, 367,093,498 new shares of HK$0.01 each were issued at a subscription price of HK$0.10 per share by way of open offer to the qualifying shareholders of the Company on the basis of one new share for every two existing shares held on 6 March 2009 raising HK$34,339,000 (net of expenses) for financing possible diversified investments and general working capital of the Group.

On 10 September 2009, 22,000,000 new shares of HK$0.01 each were issued at a price of HK$0.42 per share by way of top-up subscription of new shares under general mandate raising HK$9,030,000 (net of expenses) for general working capital of the Group.

On 29 December 2009, 56,000,000 new shares of HK$0.01 each were issued to Thought Diamond International Limited at a price of HK$0.50 per share raising HK$27,700,000 (net of expenses) for possible diversified investments of the Group.

Disposal of subsidiaries and acquisition of associated companies

On 8 April 2009, the Group sold its interests in the entire issued share capital of Shinhan-Golden and World East together with the loans due by each of them to the Group to Mega Shell Services Limited ("Mega Shell"), a wholly-owned subsidiary of CSFGL, at a consideration of HK$212,732,000. The consideration was settled in the following manner (a) the cash payment of HK$6,847,000, (b) the issue of 11,769,194 new shares in CSFGL credited as fully paid at an issue price of HK$0.50 per share, (c) the issue of a promissory note of HK$100,000,000 by CSFGL and (d) the issue of a convertible note of HK$100,000,000 by CSFGL with an initial conversion price of HK$0.50 per conversion share (subject to adjustment). A loss on disposal of subsidiaries of HK$48,868,000 and a gain on excess of acquirer's interest in fair value of associates' identifiable net assets over cost of investment of HK$16,286,000 were recognised. The disposal together with the related transactions were approved by the shareholders on 12 February 2009.

On completion of the disposal of Shinhan-Golden and World East, the Group was interested in 20.36% of the issued share capital of CSFGL.

On 23 April 2009, the Group signed an undertaking to subscribe for 94,153,552 new shares in CSFGL at a subscription price of HK$0.10 per share to which the Group was entitled to under the open offer to the qualifying shareholders of CSFGL on the basis of eight new shares for every one existing share as announced by CSFGL on the same date. The subscription price for the new shares in CSFGL amounted to HK$9,415,000. The reasons for the Group for entering into the undertaking are to maintain its substantial level of shareholding interest in CSFGL and to facilitate the open offer for raising additional capital to strengthen CSFGL's capital base. The open offer was completed on 2 July 2009.

During the year ended 31 December 2009, CSFGL issued new shares pursuant to a private placement and upon exercise of share options causing a dilution on the Group's interest in CSFGL to 15.66% at the year end. Accordingly, the Group recognised a loss on deemed disposal of an associate of HK$6,629,000. Despite the Group's interest in CSFGL stood at 15.66%, it was accounted for investment in associate as the Group has retained its significant influence over CSFGL by having a representation on the board of directors of CSFGL.

During the year ended 31 December 2009, CSFGL recorded a profit attributable to its owners of HK$26,099,000 and contributed a profit of HK$6,372,000 to the Group.

On 29 April 2009, the Company made a loan of HK$200,000,000 to China Star pursuant to the conditional loan agreement dated 11 March 2009. The loan was unsecured, interest bearing at prime rate as quoted by The Hong Kong and Shanghai Banking Corporation Limited per annum and maturing on 28 April 2012. The loan made to China Star was approved by the shareholders, other than Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and their associates, on 22 April 2009.

On 21 September 2009, the Group subscribed the convertible note of HK$200,000,000 from China Star pursuant to the conditional subscription agreement dated 23 July 2009. The subscription price of the convertible note was satisfied by setting off the loan of HK$200,000,000 made by the Company to China Star on 29 April 2009. The convertible note was unsecured, interest bearing at prime rate as quoted by The Hong Kong and Shanghai Banking Corporation Limited per annum and maturing on 20 September 2012. The convertible note entitled the Group to convert the outstanding principal amount into shares in China Star at an initial conversion price of HK$0.20 per share (subject to adjustment). The subscription of the convertible note was approved by the shareholders, other than Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and their associates, on 14 September 2009.

During the second half of 2009, the Group converted the convertible note of HK$200,000,000 entirely into 1,000,000,000 shares in China Star at a conversion price of HK$0.20 per share. As a result, the Group recorded a gain on fair value change in convertible note of HK$55,244,000, which represented the difference between the fair value of the convertible note of HK$255,244,000 and their carrying amount of HK$200,000,000 and a gain on excess of acquirer's interest in fair value of associates' identifiable net assets over cost of investment of HK$686,214,000. On 10 December 2009, the Group disposed of 320,000,000 shares in China Star to independent third parties at a price of HK$0.20 per share and recorded a loss on partial disposal of an associate of HK$280,020,000.

During the year ended 31 December 2009, China Star made a profit attributable to its owners of HK$204,388,000 and contributed a profit of HK$16,116,000 to the Group.

Loan to Shanghai Shengping

As at the date of completion of the disposal of Shinhan-Golden and World East, Shanghai Shengping (a subsidiary of World East) was indebted to the Group in the sum of HK$375,536,000. Pursuant to the sale and purchase agreement, the loan made to Shanghai Shengping by the Group was not settled immediately upon completion and CSFGL has provided a guarantee to the Group for a term of maximum of three financial years ending 31 December 2011 to secure the repayment. If any part of the loan has not been settled on the day falling on the fifth anniversary of the date of completion, CSFGL will issue a convertible note to settle the outstanding balance of the loan.

During the year ended 31 December 2009, Shanghai Shengping repaid HK$220,000,000 to the Group. At 31 December 2009, the outstanding balance of the loan was HK$155,536,000.

The loan is secured by a corporate guarantee given by CSFGL, interest-free and has no fixed terms of repayment.

Pledge of assets

At 31 December 2009, no assets of the Group were pledged.

Commitments

At 31 December 2009, the Group had no material commitments.

Exchange risk and hedging

During the year ended 31 December 2009, the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi. Accordingly, no financial instruments for hedging purposes have been used by the Group.

Contingent liabilities

At 31 December 2009, the Group had no material contingent liabilities.

Employees and remuneration policy

At 31 December 2009, headcount of the Group was 21 (2008: 22 for continuing operations; 96 for discontinued operations). Staff costs (including directors' remuneration) for continuing operations and discontinued operations amounted to HK$8,903,000 (2008: HK$9,574,000) and HK$942,000 (2008: HK$4,615,000) in the year ended 31 December 2009, respectively. In addition to basic salaries, provident fund and discretionary bonus, staff benefits include medical scheme and share options.

Operations Review

Continuing operations

During the year ended 31 December 2009, no revenue was generated from the Group's film distribution business as the Group was not able to secure a sufficient quantity of films at reasonable prices for distribution. As the cost of maintaining a distribution network is high, the Group has further scaled down its film distribution operations in the second half of 2009 in order to improve its cost structure.

Following a range of quantitative easing measures carried out by central banks, the market sentiment improved and global equities rallied. During the year ended 31 December 2009, the Group reactivated its sale of financial assets business. As Hong Kong stock market rallied shapely in the third quarter of 2009, the Group took profit on its Hong Kong equities by selling all of them in September 2009 and recorded a gain on sales of financial assets of HK$14,220,000.

During the year ended 31 December 2009, Rich Daily generated services fee income amounted to HK$60,491,000. Rich Daily is a management services provider to the concierge departments of gaming promoters. The monthly service fee earned by Rich Daily is calculated at 0.03% of the monthly rolling turnover generated by the gaming promoters. Following the outbreak of global financial crisis, Rich Daily recorded a drop in its services fee income from September 2008 to February 2009. With Beijing's efforts to reflate the Chinese economy, the Group has seen a gradual improvement on the monthly service fee income since March 2009. The directors believe that Rich Daily strengthens the Group's profitability and cash inflow.

Best Season Holdings Corp. ("Best Season"), a 75% owned subsidiary of the Company, has been established to invest in, manage and conduct branding for real estate and/or related properties in Macau. Due to the downturn in Macau's property market in the second half of 2008 and the concentration on the Group's resources on newly expanded business, the business development of Best Season has temporarily been suspended. As a result, no contribution was made from Best Season for the year ended 31 December 2009.

Discontinued operations

During the period from 1 January 2009 to 8 April 2009, the Disposal Group generated an average monthly rental income of HK$1,045,000 and achieved an average monthly occupancy of 18%. The unsatisfactory occupancy was a direct result of weak leasing demand in the first half of 2009. The weaken demand for serviced apartments in Beijing primarily resulted from the negative impact of the global financial crisis which caused a cut in the number of expatriates staff stationed in Beijing by multinational companies.

Future Prospects

Given the Hong Kong stock market performed so well in 2009, there may be a consolidation in the second and third quarters of 2010. The directors believe that any consolidation in Hong Kong equities presents an opportunity to the Group for building a stocks portfolio for sustainable growth. The Group will continue to adopt a prudence approach in investing Hong Kong equities to enhance the returns to its shareholders.

With Macau's gaming revenue surged to its highest-ever quarterly figure in the fourth quarter of 2009, the directors believe that the provision of management services business will continue to contribute positively to the Group in coming years.

Although the global economy shown a sign of improvement in 2009, the directors believe that 2010 remains challenging. However, the directors consider that such kind of economics climate provides opportunities to the Group to invest with reasonable prices. The Group will actively seek investment opportunities to diversify its businesses and broaden its revenue base.

(III) For the year ended 31 December 2008

Financial Review

On 26 November 2008, the Group entered into a conditional sale and purchase agreement relating to the sale of the entire issued share capital of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and World East Investments Limited ("World East") to Mega Shell Services Limited ("Mega Shell"), a wholly-owned subsidiary of Golife Concepts Holdings Limited ("Golife"), at a consideration of HK$211,466,310 (subject to adjustment). The major assets of Shinhan-Golden and World East are their interests in the registered capital of 北京莎瑪房地產開發有限公司 ("Beijing Shama"). The principal activity of Beijing Shama is property investment. As a result, the assets and liabilities of Shinhan-Golden and World East and their subsidiaries, namely Beijing Shama, Beijing Jianguo Real Estate Development Co., Limited and 上海昇平文化發展有限公司 ("Shanghai Shengping") (collectively the "Disposal Group"), are re-classified as assets and liabilities of disposal group classified as held for sale in the consolidated balance sheet at 31 December 2008. The results of the Disposal Group are presented separately as discontinued operations in the consolidated income statement for the year ended 31 December 2008.

Loss from continuing and discontinued operations for the year ended 31 December 2008 amounted to HK$224,508,000, whereas a profit of HK$25,694,000 was recorded in 2007. The deterioration was mainly attributable to the increase in impairment loss recognised in respect of goodwill of HK$104,519,000 in the current year and the recognition of the one-off gain of HK$106,956,000 arising from bank loan interest waived in 2007.

Results of continuing operations

The turnover for continuing operations increased from HK$7,722,000 in the year ended 31 December 2007 to HK$19,253,000 in the year ended 31 December 2008. Of the total turnover, HK$2,000,000 was generated from sub-licensing of film rights, HK$18,215,000 was generated from provision of management services and a loss of HK$962,000 was incurred by sales of financial assets. The loss from continuing operations deteriorated from HK$44,749,000 in the year ended 31 December 2007 to HK$96,736,000 in the year ended 31 December 2008. Such deterioration was mainly attributable to the recognition of impairment loss in respect of goodwill of HK$101,965,000, which was partly offset by the increase in gross profit of HK$11,038,000, the decrease in administrative expenses of HK$28,931,000 and a tax credit of HK$13,854,000.

Cost of sales for the year ended 31 December 2008 amounted to HK$493,000, which was wholly related to provision of management services. The gross profit margin for provision of management services was 97%. The gross profit margin for sub-licensing of film rights was 100% as the cost of film library had been fully amortised and/or impaired in previous years.

Other revenue decreased from HK$2,922,000 in the year ended 31 December 2007 to HK$2,427,000 in the year ended 31 December 2008. The decrease was mainly attributed to the decrease in interest income on bank deposits resulted from the decrease in the average monthly balance of the Group's cash and cash equivalents as explained below.

At the end of financial year 2008, the directors reassessed the recoverable amount of the cash-generating unit allocated to the goodwill arising from the acquisition of Rich Daily Group Limited ("Rich Daily") with reference to the valuation performed by the independent professional valuers. In the light of the downturn in Macau's VIP gaming, the directors determined that the goodwill should be fully impaired and recognised an impairment loss of HK$101,965,000 in the year ended 31 December 2008.

Administrative expenses (net of depreciation, impairment loss and loss on disposal of property, plant and equipment) amounted to HK$25,768,000 for the year ended 31 December 2008, a 53% decrease from HK$54,818,000 as compared to the correspondence figure for the previous year. The decrease was mainly attributable to the decreases in share-based payment expenses of HK$28,674,000 and consultancy fee of HK$2,541,000, which were partly offset by the surcharge of HK$3,637,000 paid to Inland Revenue Department in relation to the compromise settlement on the Group's offshore income claim.

Finance costs for the year ended 31 December 2008 amounted to HK$3,350,000, representing the imputed interest expense on the convertible notes in an aggregate principal amount of HK$144,000,000 issued in August 2008 for the acquisition of Rich Daily.

During the year ended 31 December 2008, the Group reached a compromise settlement with Inland Revenue Department in settling a tax dispute over the offshore sub-licensing income claim for an amount of HK$12,021,000, which included a surcharge of HK$3,637,000. As a tax provision of HK$22,238,000 had been made in previous years, a tax credit of HK$13,854,000 was recognised.

Results of discontinued operations

The turnover generated from property investment for the year ended 31 December 2008 amounted to HK$20,826,000, a 614% increase from HK$2,917,000 for the previous year. The significant increase was attributable to the commencement of operations of Beijing Shama in late June 2008. The loss for property investment amounted to HK$127,772,000 in the year ended 31 December 2008, whereas a profit of HK$70,443,000 was recorded in 2007. The deterioration was attributable to the recognition of decrease in fair value of investment properties of HK$74,045,000 and impairment loss in respect of goodwill of HK$40,382,000 in 2008, whereas the one-off gain of HK$106,956,000 arising from bank loan interest waived was recognised in 2007.

Cost of sales increased from HK$858,000 in the year ended 31 December 2007 to HK$7,176,000 in the year ended 31 December 2008. The gross profit margin for property investment dropped from 71% in the year ended 31 December 2007 to 66% in the year ended 31 December 2008. The drop in gross profit margin was due to the increase in overhead of Beijing Shama following its soft opening in late June 2008.

Other revenue increased from HK$283,000 in the year ended 31 December 2007 to HK$1,257,000 in the year ended 31 December 2008. The increase was mainly attributed to the increase in interest income on bank deposits resulted from the increase in the average monthly bank balances of Beijing Shama.

Other income for the year ended 31 December 2007 amounted to HK$106,956,000 representing the one-off gain arising from bank loan interest waived by China Merchants Bank.

In the light of the downturn in the Mainland China's property market, the Group recognised a decrease in fair value of investment properties of HK$74,045,000 in the year ended 31 December 2008 with reference to the valuation performed by the independent qualified professional valuers valuing the investment properties at HK$906,960,000 at 31 December 2008.

At the end of financial year 2008, the directors reassessed the recoverable amount of the cash-generating unit allocated to the goodwill arising from the acquisition of Shinhan-Golden with reference to the valuation performed by the independent professional valuers. In the light of the downturn in the Mainland China's property market, the directors determined that the goodwill should be fully impaired and an impairment loss of HK$40,382,000 was recognised in the year ended 31 December 2008.

Administrative expenses (net of depreciation) increased from HK$11,635,000 in the year ended 31 December 2007 to HK$20,835,000 in the year ended 31 December 2008. The increase was mainly attributable to the commencement of operations of Beijing Shama in the second half of 2008.

Finance costs for the year ended 31 December 2008 amounted to HK$25,289,000, a 30% increase as compared to HK$19,494,000 in the year ended 31 December 2007. The increase was attributable to the increase in the average monthly balances of the RMB bank loan for the payment of renovation costs in respect of the investment properties.

A tax credit of HK$22,214,000 was arisen from the transfer of deferred tax to income statement in relation to the recognition of the decrease in fair value of investment properties in the year ended 31 December 2008.

Liquidity and financial resources

During the year ended 31 December 2008, the Group mainly funded its operations through a combination of equity attributable to the Company's equity holders, bank borrowings and convertible notes. Equity attributable to the Company's equity holders at 31 December 2008 amounted to HK$894,423,000 (2007: HK$1,046,080,000).

At 31 December 2008, the cash and cash equivalents of the Group amounted to HK$7,218,000 (2007: HK$531,396,000). The decrease in cash and cash equivalents of the Group was mainly attributable to the cash payment of HK$360,000,000 to Well Will Investment Limited ("Well Will") for the acquisition of Rich Daily and the cash and cash equivalents balances of HK$82,152,000 were re-classified as assets of disposal group classified as held for sale in the consolidated balance sheet.

At 31 December 2008, the total borrowings of the Group amounted to HK$106,403,000 (2007: HK$329,719,000), comprising the advance of HK$600,000 made by China Star Entertainment Limited ("China Star") which is unsecured, interest-free and has no fixed terms of repayment; and the liability component of the convertible notes with an aggregate principal amount of HK$144,000,000 issued to Well Will of HK$105,803,000 which are unsecured, interest bearing at 5% per annum and maturing on 28 August 2018. The gearing ratio calculated as a percentage of total borrowings over equity attributable to the Company's equity holders was 12% (2007: 32%). The improvement in gearing ratio was attributed to the re-classification of bank borrowings as liabilities of disposal group classified as held for sale in the consolidated balance sheet.

At 31 December 2008, the bank borrowings of Beijing Shama amounted to HK$319,418,000 (2007: HK$329,018,000), representing the RMB bank loan which is secured by certain of the investment properties with a fair value of HK$853,835,000, the bank deposits of HK$23,470,000 and a corporate guarantee given by the Company, interest bearing at 110% of the interest rate prescribed by the People's Bank of China for loan period of five years and repayable within three years.

Net current assets and current ratio

At 31 December 2008, the Group's net current assets and current ratio were HK$602,720,000 (2007: HK$491,885,000) and 2.30 (2007: 5.19) respectively.

Capital structure

To reduce the overall transaction and handling costs for dealing in the Company's shares and allow the Company to declare dividends to its shareholders at an earlier opportunity, the directors proposed the following changes to the capital of the Company (the "Capital Reorganisation") on 19 March 2008:

(a) the consolidation of every ten issued and unissued existing shares of HK$0.10 each in the share capital of the Company into one share of HK$1.00;

(b) immediately after completion of the share consolidation in (a) above, the reduction of the nominal value of all issued and issued shares of HK$1.00 each in the share capital of the Company from HK$1.00 each to HK$0.01 each; and

(c) the cancellation of the entire amount of HK$813,058,000 standing to the credit of the share premium account of the Company at 31 December 2007 by transferring such credit amount to the contributed surplus account of the Company and the application of HK$518,374,000 in the contributed surplus account to set off against the accumulated losses of the Company of HK$518,374,000 at 31 December 2006.

The Capital Reorganisation was approved by the shareholders on 30 April 2008 and became effective on 2 May 2008.

In April 2008, the Company issued 10,009 new shares of HK$0.10 each at an exercise price of HK$0.1146 per share pursuant to the exercise of share options granted to an employee.

On 4 November 2008, the Company entered into a placing agreement with Kingston Securities Limited ("Kingston"). Pursuant to the placing agreement, the Company has conditionally agreed to place through Kingston, on a best effort basis, a maximum of 500,000,000 new shares of HK$0.01 each by a maximum of five tranches to independent investors at a placing price, which must not be lower than 85% or more of the average closing prices of the shares quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in the last 30 consecutive trading days up to and including the date on which the placing price was fixed for such tranche and should not be less than HK$0.05 per share. The placing agreement was approved by the shareholders on 19 December 2008. The first tranche of placing of 200,000,000 new shares at a placing price of HK$0.102 per share was completed on 11 February 2009 and the second tranche of placing of 300,000,000 new shares at a placing price of HK$0.091 per share was completed on 2 March 2009. The net proceeds from the placing of 500,000,000 new shares amounted to HK$46,720,000.

On 29 December 2008, the Company, Classical Statue Limited ("CSL"), a substantial shareholder of the Company, and Kingston entered into a top-up placing agreement relating to the placing of 39,000,000 existing shares of HK$0.01 each held by CSL to not fewer than six placees at a placing price of HK$0.102 per share and the top-up subscription of 39,000,000 new shares by CSL at a subscription price of HK$0.102 per new share. The top-up placing was completed on 9 January 2009 and raised HK$3,820,000 (net of expenses) to the Group.

Material acquisitions and disposals of subsidiaries and associated companies

On 29 May 2008, the Group acquired the remaining 3.3% interest in the registered capital of Beijing Shama from Beijing Urban Development Group Co. Ltd. at a net consideration of RMB84,000 (or HK$95,000), after deducting an amount of RMB4,150,000 (or HK$4,705,000) paid to Beijing Urban Development Group Co. Ltd. by the ex-owner in 1997. The directors believe that the acquisition of the remaining 3.3% interest provides the Group with a better protection on its interest in Beijing Shama and a greater flexibility in managing Beijing Shama.

On 29 August 2008, the Group acquired the entire issued share capital of Rich Daily from Well Will at an initial consideration of HK$504,000,000 (subject to adjustment). The initial consideration was settled by paying HK$360,000,000 in cash and issuing of convertible notes in an aggregate principle amount of HK$144,000,000, with an initial conversion price of HK$1.60 per conversion share. Rich Daily is a management services provider to the concierge departments of gaming promoters in Macau. The monthly service fee earned by Rich Daily is calculated at 0.03% of the monthly rolling turnover generated by the gaming promoters.

On 26 November 2008, the Group entered into a conditional sale and purchase agreement relating to the sale of the entire issued share capital of Shinhan-Golden and World East to Mega Shell at a consideration of HK$211,466,310 (subject to adjustment). On 8 April 2009, the conditional sale and purchase agreement was completed. The adjusted consideration of HK$212,731,827 was settled in the following manner (i) the cash payment of HK$6,847,230, (ii) the issue of 11,769,194 new shares in Golife (adjusted for the capital reorganisation of Golife as completed on 6 April 2009) credited as fully paid at an issue price of HK$0.50 per share, (iii) the issue of a promissory note of HK$100,000,000 by Golife and (iv) the issue of a convertible bond of HK$100,000,000 with an initial conversion price of HK$0.50 per conversion share (subject to adjustment) by Golife. Upon completion of the sale and purchase agreement, the Group holds 20.36% interest in the issued share capital of Golife and Golife is treated as an associated company of the Group for financial reporting purposes. Golife is a company listed on the GEM Board of the Stock Exchange.

Charges on assets

At 31 December 2008, certain of the investment properties with a fair value of HK$853,835,000 and the bank deposits of HK$23,470,000 have been pledged to a bank to secure the RMB bank loan granted to Beijing Shama.

Material commitments

At 31 December 2008, the Group had the following material commitments:

(a) capital expenditures of HK$10,408,000 in respect of the renovation works of the investment properties contracted for but not provided in the consolidated financial statements;

(b) a commitment in respect of acquiring the registered capital of Shanghai Shengping from its owners at a price determined by the valuers in Mainland China when the laws in Mainland China allow foreign investors to own more than 51% interest in the registered capital of Shanghai Shengping; and

(c) an unused revolving facility of up to HK$200,000,000 granted to Best Season Holdings Corp. ("Best Season").

Exchange risk and hedging

As the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi, the exchange risk of the Group is considered to be minimal. Accordingly, no financial instruments for hedging purposes have been used by the Group.

Contingent liabilities

At 31 December 2008, the Group had no material contingent liabilities (2007: nil).

Employees and remuneration policy

At 31 December 2008, the headcount of the Group was 118 (continuing operations: 22; discontinued operations: 96). Staff costs (including directors' remuneration) for continuing and discontinued operations amounted to HK$9,574,000 and HK$4,615,000 respectively in the year ended 31 December 2008. Employees are remunerated according to their performance and work experience. In addition to basic salaries, provident fund and discretionary bonus, staff benefits include medical scheme and share options.

Operations Review

Continuing operations

During the year ended 31 December 2008, the Hong Kong films market remained sluggish and the demand for Hong Kong made-movies in Mainland China, one of the major markets for Hong Kong made-movies, remained weak. The number of films produced by local producers had decreased. As a result, the Group was not able to secure quality films at reasonable prices for distribution. However, the Group has concluded an agreement to sell its film library at HK$2,000,000.

As volatility in equity market remained high in the first three quarters of 2008, the Group carried out a minimal trading in financial assets during the year. Following the outbreak of the global financial crisis, the Group sold all of its financial assets in order to reduce equity price risk.

The Group acquired the entire issued share of Rich Daily at an initial consideration of HK$504,000,000 (subject to adjustment) on 29 August 2008. Rich Daily is a management services provider to the concierge departments of gaming promoters. The monthly service fee earned by Rich Daily is calculated at 0.03% of the monthly rolling turnover generated by the gaming promoters. Following the completion of the acquisition, Rich Daily generates a constant monthly cashflow to the Group. Although Rich Daily experienced a drop in its services fee income in September 2008 resulted from the outbreak of global financial crisis, the monthly service fee income has remained fairly stable in the fourth quarter of 2008. The directors believe that the newly expanded management service business provides the Group with a stable source of revenue and improves the Group's profitability.

Best Season has been established to invest in, manage and conduct branding for real estate and/or related properties in Macau. Due to the downturn in Macau's property market in the second half of 2008 and the concentration on the Group's resources on newly expanded business, the business development of Best Season has temporarily been suspended. As a result, no contribution was made from Best Season in the year ended 31 December 2008.

On 23 December 2008, the Group terminated the proposed acquisition of the entire interest in the issued share capital of Exceptional Gain Profits Limited and a sale loan from China Star as the proposed acquisition had been hinged on the release of security given by China Star relating to Kingsway Hotel Limited to be replaced by security given by the Company. Both the Company and China Star had determined not to keep their shareholders and investors lingering on the status of the proposed acquisition or the proposed disposal, as the case may be, as it has been more than one year since the announcement of the proposed acquisition or the proposed disposal, as the case may be.

Discontinued operations

The soft opening of the Disposal Group's investment properties, namely Shama Luxe Chang An, commenced in late June 2008. During the year ended 31 December 2008, rental income of HK$16,033,000 was generated from short-term leasing in the "Olympic Month — August 2008". The occupancy of Shama Luxe Chang An was 16% during the second half of 2008. The unsatisfactory occupancy was a direct result of weak leasing demand in the second half of 2008. The weaken demand for serviced apartment in Beijing primarily resulted from the negative impact of the global financial crisis which caused a cut in the number of expatriates staff stationed in Beijing by many multinational companies. Beijing Shama is working with the management company to formulate plans to improve the occupancy and the cost structure of Shama Luxe Chang An.

Future Prospects

Given the recent global financial crisis and the depressed state of global economy, the directors forecast a tough 2009 and a persist downturn in global economy for a long period of time. As such, the Directors believe the best strategies for the Group are to (i) restructure its business, (ii) enable the Group to concentrate its resources on provision of management services business, and (iii) improve the Group's gearing ratio. On the other hand, the Group is seeking investment opportunities with attractive prices to diversify its businesses and broaden its revenue base.

FINANCIAL INFORMATION INCORPORATED BY REFERENCE

The audited consolidated financial statements of the Group for the years ended 31 December 2008, 31 December 2009 and 31 December 2010, including the notes thereto, have been published in the annual reports of the Company for the years ended 31 December 2008 (pages 52 to 171), 31 December 2009 (pages 52 to 195) and 31 December 2010 (pages 50 to 187) respectively and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2011, including the notes thereto, have also been published in the interim report of the Company for the six months ended 30 June 2011 (pages 3 to 25), which are incorporated by reference into this circular. The said annual reports and interim report of the Company are available on the Company's website at www.eternityinv.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

STATEMENT OF INDEBTEDNESS

Borrowings

At 30 September 2011, being the latest practicable date for determining indebtedness, the Enlarged Group had a total outstanding borrowings of approximately HK$293.56 million, comprising (a) secured bank loans of approximately HK$174.92 million which was secured by the HSBC Charges and a personal guarantee provided by the ultimate beneficial owner of the Vendor, (b) the Promissory Note of HK$118.00 million which was secured by a charge over all the issued share of Rexdale executed by One Synergy in favour of Lafe Corporation Limited and (c) the net amount due to the Vendor of approximately HK$0.64 million which was unsecured, interest-fee and repayable on demand.

Contingency

On 15 April 2010, a claim was brought by CFAM in the High Court Action No. 526 of 2010 against Rexdale that, despite repeated demands, Rexdale has failed and still refuses to pay to CFAM a service fee in the sum of HK$25.00 million.

No provision for the claim brought by CFAM was made in the accounts of Rexdale as Lafe Corporation Limited has undertaken to indemnify and keep indemnified One Synergy against any and all losses, claims, damages, penalties, actions, demands, proceedings, judgement and costs (including legal costs on a full indemnify basis and any amount paid for settlement of claims) arising from or in connection with the claim pursuant to the sale and purchase agreement dated 31 December 2010 entered into between Lafe Corporation Limited as vendor and One Synergy as purchaser relating to the sale and purchase of the entire issued share capital of Lafe Properties (Hong Kong) Limited (the former name of Rexdale).

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have any outstanding mortgages, charges, debentures or other loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances or acceptances credits, finance leases or hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 30 September 2011.

WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, in the absence of unforeseeable and after taking into account of the Acquisition, the repayment of the Promissory Note of HK$118.00 million, the net proceeds from the open offer of HK$260.39 million as announced by the Company on 7 June 2011, the payment of the proposed special dividend of HK$198.36 million (calculated at 7,934,353,176 Shares, being the number of Shares in issue as at the Latest Practicable Date, times HK$0.025 per Share) as announced by the Company on 18 November 2011 and the internal resources of the Enlarged Group, the Enlarged Group has sufficient working capital for its normal business for at least the next 12 months from the date of publication of this circular.

On 7 July 2011, the Group subscribed for the first tranche of convertible bonds in the principal amount of HK$350.00 million pursuant to the conditional subscription agreement dated 21 January 2011 entered into between China Star Entertainment Limited and the Company. Given the subscription of the second tranche of convertible bonds in the principal amount of HK$300.00 million is subject to the Company having sufficient fund available which is one of the three additional conditions as set out the conditional subscription agreement, the Directors do not take into account the subscription of the second tranche of convertible bonds in forming the above opinion.

MATERIAL ADVERSE CHANGE

Save for the Company's announcement dated 12 September 2011 relating to the termination of the Services Agreement by the Gaming Promoter and the potential financial impacts resulted from the termination of the Services Agreement as disclosed on pages 37 to 38 of this circular, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published audited consolidated accounts of the Group were made up, as at the Latest Practicable Date.

RECONCILIATION STATEMENT OF PROPERTY

Set out below is the reconciliation of the net book value of the Target Group's property assets included in the consolidated statement of financial position of the Target Group as at 30 June 2011 as stated in the accountants' report in appendix IIIA to this circular and the fair value of the Target Group's property assets as at 31 August 2011 as stated in the valuation report of the property in appendix VI to this circular. The statement below was prepared in accordance with Rule 5.07 of the Listing Rules.

	HK$'000
Net book value included in the consolidated statement of financial position of the Target Group as at 30 June 2011	410,000
Valuation surplus	40,000
Fair value as at 31 August 2011 as shown on the valuation report as set out in appendix VI to this circular	450,000

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, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

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

23 November 2011

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

Dear Sirs,

INTRODUCTION

We report on the financial information of Adelio Holdings Limited ("Adelio") and its subsidiaries (hereinafter collectively referred to as the "Adelio Group") for the period from 9 November 2010 (date of incorporation) to 31 December 2010 and the six months ended 30 June 2011 (the "Relevant Periods") and the notes thereto (the "Financial Information") set out in Sections A, B and C below for inclusion in Appendix IIIA to the circular of Eternity Investment Limited (the "Company") dated 23 November 2011 (the "Circular") in connection with the sale and purchase agreement dated 25 May 2011 (the "Agreement") entered into between Riche (BVI) Limited (the "Purchaser"), a wholly owned subsidiary of the Company, and Vartan Holdings Limited (the "Vendor"). Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire the entire issued share capital of Adelio at a total consideration of HK$267.60 million (the "Acquisition").

Adelio is a company incorporated in British Virgin Islands (the "BVI") with limited liability on 9 November 2010. The principal business activity is investment holding. As at 30 June 2011, One Synergy Limited and Rexdale Investment Limited are subsidiaries of Adelio.

No statutory financial statements have been prepared for Adelio since its date of incorporation as there is no statutory requirement in the BVI. The financial information of One Synergy Limited and Rexdale Investment Limited has been prepared based on the statutory financial statements for the financial years ended 31 December 2010 and were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinance, and were audited by Law Yuk Lan, CPA.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of Adelio based on the consolidated financial statements of Adelio and of the Adelio Group for the Relevant Periods (the "Underlying Financial Statements"), on the basis as set out in Note 2 below. The Underlying Financial Statements has been prepared in accordance with Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the HKICPA.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of Adelio are responsible for the preparation and the true and fair presentation of the Financial Information and the Underlying Financial Statements in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. The directors of the Company are responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITY

For the purpose of this report, we have carried out appropriate audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

It our responsibility to form and independent opinion, based on our audit, on the Financial Information.

The Financial Information of Adelio and the Adelio Group for the Relevant Periods set out in this report has been prepared based on the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Circular. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

OPINION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of Adelio and of the Adelio Group as at 31 December 2010 and 30 June 2011 and of the results and cash flows of Adelio and of the Adelio Group for the Relevant Periods.

MATERIAL UNCERTAINTY CONCERNING GOING CONCERN BASIS OF ACCOUNTING

Without qualifying our opinion, we draw attention in Note 2 to the Financial Information which indicates that the Adelio Group's current liabilities exceeded its current assets by approximately HK$296,125,000 and HK$295,883,000 as at 31 December 2010 and 30 June 2011 respectively. These conditions, along with other matters as set out in Note 2 to the Financial Information, indicate that existence of a material uncertainty which may cast significant doubt about the Adelio Group's ability to continue as a going concern.

A. FINANCIAL INFORMATION OF THE ADELIO GROUP

Consolidated statements of comprehensive income

	Notes	For the period from 9 November 2010 (date of incorporation) to 31 December 2010 HK$'000	Six months ended 30 June 2011 HK$'000
Turnover	*8*	—	6,533
Other revenue and gains	*9*	3,213	—
Gain arising on change in fair value of investment properties	*15*	—	110,000
Administrative expenses		(181)	(1,619)
Profit from operating activities		3,032	114,914
Finance costs	*12*	—	(4,672)
Profit before taxation	*10*	3,032	110,242
Income tax expense	*13*	—	(80)
Profit for the period		3,032	110,162
Profit for the period attributable to owners of Adelio		3,032	110,162
Total comprehensive income for the period		3,032	110,162
Total comprehensive income for the period attributable to owners of Adelio		3,032	110,162

The accompanying notes form an integral part of the Financial Information of the Adelio Group.

Consolidated statements of financial position

	Notes	At 31 December 2010 HK$'000	At 30 June 2011 HK$'000
ASSETS			
Non-current assets			
Investment properties	*15*	300,000	410,000
Property, plant and equipment	*16*	—	—
		300,000	410,000
Current assets			
Deposits and prepayments	*17*	3,842	369
Amount due from the Vendor	*18*	—	39,732
Time deposit, bank balances and cash	*19*	428	2,440
		4,270	42,541
Total assets		304,270	452,541
EQUITY			
Capital and reserves attributable to owners of Adelio			
Share capital	*20*	—	—
Reserves		3,032	113,194
Total equity		3,032	113,194
LIABILITIES			
Current liabilities			
Other payables and accruals	*21*	18,884	—
Rental deposits received		3,105	3,113
Amount due to the Vendor	*22*	—	40,367
Amount due to a related company	*22*	10,168	—
Secured bank loans	*23*	80,283	176,944
Short term loan	*24*	40,000	—
Promissory notes	*25*	147,955	118,000
		300,395	338,424

	Notes	At 31 December 2010 HK$'000	At 30 June 2011 HK$'000
Non-current liabilities			
Deferred taxation	25	843	923
Total liabilities		301,238	339,347
Total equity and liabilities		304,270	452,541
Net current liabilities		(296,125)	(295,883)
Total assets less current liabilities		3,875	114,117

The accompanying notes form an integral part of the Financial Information of the Adelio Group.

Statements of financial position

	Notes	At 31 December 2010 HK$'000	At 30 June 2011 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	*27*	—	—
Total assets		—	—
EQUITY			
Capital and reserves attributable to owners of Adelio			
Share capital	*19*	—	—
Reserves		(15)	(15)
Total equity		(15)	(15)
LIABILITIES			
Current liabilities			
Accruals		9	9
Amount due to a related company		6	6
Total liabilities		15	15
Total equity and liabilities		—	—
Net current liabilities		(15)	(15)
Total assets less current liabilities		(15)	(15)

The accompanying notes form an integral part of the Financial Information of Adelio Group.

Consolidated statements of changes in equity

	Share capital *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 9 November 2010 (date of incorporation)	—	—	—
Profit for the period	—	3,032	3,032
Total comprehensive income for the period	—	3,032	3,032
At 31 December 2010 and 1 January 2011	—	3,032	3,032
Profit for the period	—	110,162	110,162
Total comprehensive income for the period	—	110,162	110,162
At 30 June 2011	—	113,194	113,194

Consolidated statements of cash flows

	For the period from 9 November 2010 (date of incorporation) to 31 December 2010	Six months ended 30 June 2011
	HK$'000	*HK$'000*
Operating activities		
Profit before taxation	3,032	110,242
Adjustments for:		
Interest expense	—	4,672
Gain from a bargain purchase of a subsidiary	(3,213)	—
Gain arising on change in fair value of investment properties	—	(110,000)
Operating cash flows before movements in working capital	(181)	4,914
Increase in deposits and prepayments	—	3,473
Increase in amount due from the Vendor	—	(39,732)
Increase in other payables and accruals	13	(18,884)
Increase in rental deposits received	—	8
Increase/(decrease) in amount due to a related company	10,168	(10,168)
Increase in amount due to the Vendor	—	40,367
Cash generated from/(used in) operations	10,000	(20,022)
Interest paid	—	(4,672)
Net cash generated from/(used in) operating activities	10,000	(24,694)
Investing activities		
Payment for acquisition of a subsidiary	(9,991)	—
Decrease in pledged time deposit	—	419
Net cash (used in)/generated from investing activities	(9,991)	419

	For the period from 9 November 2010 (date of incorporation) to 31 December 2010	Six months ended 30 June 2011
	HK$'000	*HK$'000*
Financing activities		
Repayment of secured bank loans	—	(85,339)
Repayment of short term loan	—	(40,000)
Repayment of promissory notes	—	(29,955)
Proceeds from a secured bank loan	—	182,000
Net cash generated from financing activities	—	26,706
Net increase in cash and cash equivalents	9	2,431
Cash and cash equivalents at beginning of the period	—	9
Cash and cash equivalents at end of the period	9	2,440
Analysis of the balances of cash and cash equivalents		
Time deposit, bank balances and cash	428	2,440
Less: time deposit	(419)	—
	9	2,440

B. NOTES TO FINANCIAL INFORMATION

1. General information

Adelio is a company incorporated in British Virgin Islands with limited liability on 9 November 2010. The address of its registered office is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands. The ultimate holding company is Kwan Wing Holdings Limited, a company incorporated in British Virgin Islands, and it does not produce financial statements available for public use.

Adelio and its subsidiaries principally act as investment holding and property investment company.

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

2. Basis of preparation

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. In addition, the Financial Information included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Companies Ordinance.

The Financial Information has been prepared under historical cost convention except for certain properties and financial instruments which are carried at fair value. 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 judgment in the process of applying Adelio's accounting policies.

The Adelio Group's books and records are maintained in Hong Kong Dollars ("HK$") as the directors of Adelio control and monitor the performance and financial position of the Adelio Group in HK$.

As at 31 December 2010 and 30 June 2011, the Adelio Group's current liabilities exceeded its current assets by approximately HK$296,125,000 and HK$295,883,000 respectively. The Financial Information has been prepared on a going concern basis because the ultimate holding company of the Adelio Group has confirmed to provide continuing financial support to the Adelio Group to enable it to continue as a going concern and to settle its liabilities as and when they fall due for the foreseeable future.

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

The accounting policies used in the Circular are consistent with those followed in the preparation of the annual consolidated financial statements of the Adelio Group for the Relevant Periods.

In the current period, the Adelio 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 Adelio Group's accounting period beginning on 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

Except as described below, the adoption of the new and revised HKFRSs has no material effect on the Financial Information of the Adelio Group for the current or prior accounting period.

Amendments to HK Interpretation 5 ("HK-Int 5"): Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HK-Int 5 requires that a term loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement. Prior to the adoption of this interpretation, the Adelio Group's term loan was classified in the consolidated statement of financial position separately as to the current and non-current liability portions based on the maturity dates of repayment. Upon the adoption of the interpretation, the term loan has been reclassified as a current liability. The interpretation has been applied by the Adelio Group retrospectively.

Amendments to HKAS 12 Income Taxes

In addition, the Adelio Group has early adopted HKAS 12 at the year ended 2010, the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets have been applied in advance of their effective date (accounting period beginning on or after 1 January 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. Prior to the amendment, deferred taxation on investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of investment properties through use. Therefore, based on the amendment, the Adelio Group's investment properties in Hong Kong do not have to provide deferred tax on fair value changes arising from revaluation of investment properties or arising from the presumption is rebutted. This change in policy has been applied by the Adelio Group retrospectively.

Effects of the changes in the accounting policies on the consolidated statement of financial position:

	Year ended 31 December 2010			
	Balance per audited report	**HKAS 12**	**HK-Int 5**	**Restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank loans — current portion	(20,803)	—	(59,480)	(80,283)
Secured bank loans — non-current portion	(59,480)	—	59,480	—

4. New and revised standards, amendments and interpretations in issue but not yet effective

The Adelio Group has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 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)	Disclosure — Transfer 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

Under HKFRS 9 Financial Instruments, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The amendments to HKFRS 7 Disclosures – Transfer of Financial Assets interest the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level continuing exposure in the asset. The amendments also require disclosures when transfers of financial assets are not evenly distributed throughout the period.

The directors of Adelio anticipate that the application of the new and revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Adelio Group.

5. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Adelio Group has the power to govern the financial and operation policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Adelio Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Adelio Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Adelio Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Adelio Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income.

All significant inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Adelio Group.

(b) Revenue recognition

Rental income, including rentals invoiced in advance, from properties under operating lease is recognised on a straight-line basis over the period of the respective leases.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(c) Impairment of assets

Internal and external sources of information are reviewed at the end of each reporting period to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the consolidated statement of comprehensive income in the reporting period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

Reversals of impairment losses

An impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to the consolidated statement of comprehensive income in the reporting period in which the reversals are recognised.

(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 reporting period. Taxable profit is the profit for the reporting period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. 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 difference can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from the initial recognition of 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 arising on investment in subsidiaries, except where the Adelio Group 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.

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 assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the reporting period when the liability is settled or the asset realised. Deferred tax is charged or credited to the consolidated statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(e) ***Investment properties***

Investment properties are properties held to earn rental income and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gain or loss arising from changes in the fair value of investment properties are included in the consolidated statement of comprehensive income for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the property) is included in the consolidated statement of comprehensive income for the year in which the item is derecognised.

An investment property is transferred at fair value to properties and other fixed assets when the property begins to be occupied by the owner. Gain or loss arising from change in fair value of the investment property upon the transfer is included in the consolidated statement of comprehensive income.

An owner-occupied property is transferred from properties and other fixed assets to investment property at fair value when it is evidenced by the end of owner-occupation. The difference between the carrying amount and fair value at the date of transfer is accounted for as a revaluation increase in accordance with HKAS 16 Property, Plant and Equipment. On the subsequent sale or retirement of assets, the relevant revaluation reserve will be transferred directly to retained profits.

(f) ***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment has been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of comprehensive income in the reporting period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is recognised so as to write off the cost of property, plant and equipment, using the straight-line method, over their estimated useful lives. The estimated useful lives, residual values and depreciation method are received at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Leasehold improvements	20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the relevant asset and is recognised in the consolidated statement of comprehensive income in the year in which the asset is derecognised.

(g) Investment in subsidiaries

A subsidiary is an enterprise controlled by Adelio. Control exists when Adelio has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In Adelio's statement of financial position, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by Adelio on the basis of dividends received and receivable.

(h) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position 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 the consolidated statement of comprehensive income.

Financial assets

The Adelio Group's financial assets are classified into loans and receivables. 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. The Adelio Group's major financial assets fall within the category of loans and receivables and the accounting policies adopted are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 on 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 asset, 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables including deposits, other receivables, time deposit, bank balances and cash are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where 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 financial assets have been impacted.

For all financial assets, objective evidence of impairment could include:

(i) significant financial difficulty of the issuer or counterparty; or

(ii) breach of contract, such as a default or delinquency in interest or principal payments; or

(iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

For financial assets carried at amortised cost, an impairment loss is recognised in the consolidated statement of comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent reporting periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of comprehensive income. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of comprehensive income.

For financial assets measured at amortised cost, if, in a subsequent reporting period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset 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

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

The Adelio Group's financial liabilities are mainly comprised of other financial liabilities which include other payables, accruals, rental deposits received, amount due to a related company, secured bank loans, short term loan and promissory notes which fall within the category of other financial liabilities. These financial liabilities are subsequently measured at amortised cost, using the effective interest method.

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 Adelio Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of Adelio's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of Adelio's own equity instruments.

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 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 Adelio Group 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. 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.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of comprehensive income.

Determination of fair value

The fair value of financial instruments traded in active markets at the end of the reporting period is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include discounted cash flows analysis, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation models.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Adelio Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated statement of comprehensive income.

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

(l) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Adelio Group. Assets held under finance leases are initially recognised as at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor, net of interest charges, is included in the consolidated statement of financial position as a finance lease obligation. Finance costs are charged to the consolidated statement of comprehensive income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each reporting period.

All other leases are classified as operating leases and the annual rentals are charged to the consolidated statement of comprehensive income on a straight-line basis over the relevant lease term.

(m) Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(n) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Adelio Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Adelio Group. A contingent asset is not recognised but is disclosed in the notes to the Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(o) Related party transaction

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influences. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(p) Provisions

Provisions are recognised when the Adelio Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Adelio Group 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.

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.

6. Critical accounting estimates and judgments

Estimates and judgments 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 Adelio Group 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 within the next reporting period are discussed below.

(a) Trade receivables

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Adelio Group may experience delays in collection. Where recoverability of trade debtor balances is called into doubts, specific provisions for impairments are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivables to the consolidated statement of comprehensive income. Changes in the collectibility of trade receivables for which provisions are not made could affect our results of operations.

(b) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Adelio Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the assets are acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Adelio Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(c) Investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value of the investment properties, the valuers have based on method of valuation which involves certain assumptions and estimates that reflect, including comparable market transactions assuming that the Adelio Group sales the properties on the market in their existing state by making reference to comparable sales evidences as available in the relevant market. In relying on the valuation report, the management of the Adelio Group has exercised their judgment and is satisfied that the method of valuation is reflective of the current market conditions. Should there be any changes in assumptions due to change of market conditions, the fair value of the investment properties will change in future.

(d) Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Adelio Group 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.

The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated statement of comprehensive income for the year in which such a reversal takes place.

(e) Contingent liabilities of claim

The policy for recognising contingent liabilities of legal claim is based on the evaluation by the management's judgment and opinion of the legal advisers. A considerable amount of judgment is required in assessing the probability of claim and the amount of probable liability is uncertain. If the outcome of the court judgment is not favorable to the Adelio Group, liabilities of litigation claim will be understated.

7. Operating segments

As per HKFRS 8 Operating Segments, no business analysis and segment reporting information such as segment revenue, results, assets, liabilities and other information are shown substantially as the Adelio Group only engages in property investment business in Hong Kong.

8. Turnover

	For the period from 9 November 2010 (date of incorporation) to 31 December 2010	**Six months ended 30 June 2011**
	HK$'000	*HK$'000*
Rental income	—	6,517
Parking income	—	16
	—	6,533

9. Other revenue and gains

	For the period from 9 November 2010 (date of incorporation) to 31 December 2010	**Six months ended 30 June 2011**
	HK$'000	*HK$'000*
Gain from a bargain purchase of a subsidiary	3,213	—

10. Profit before taxation

Profit before taxation has been arrived after (charging)/crediting:

	For the period from 9 November 2010 (date of incorporation) to 31 December 2010	Six months ended 30 June 2011
	HK$'000	*HK$'000*
Auditors' remuneration	(28)	—
Depreciation of property, plant and equipment	—	—
Staff costs including directors' remuneration		
— salaries and other allowances	—	—
— contributions to retirement benefits scheme	—	—
Gross rental income from investment properties	—	6,517
Less: Direct operating expenses from investment properties that generated rental income during the period	—	(595)
	—	5,922

11. Directors' emoluments

No emoluments were paid to the directors of Adelio for the Relevant Periods.

	Fees	Salaries and bonues	Contributions to retirement benefits scheme	Share-based payment expenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Ku Sau Shan Lawrence James[1]	—	—	—	—	—

None of the directors of Adelio has waived any emoluments during the Relevant Periods.

Note:

1 Appointed on 10 December 2010.

12. Finance costs

	For the period from 9 November 2010 (date of incorporation) to 31 December 2010	Six months ended 30 June 2011
	HK$'000	*HK$'000*
Interest on secured bank loans wholly repayable within five years	—	431
Interest on short term loan	—	4,241
	—	4,672

13. Income tax expense

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

Details of the taxation in the consolidated statement of comprehensive income are as follows:

	For the period from 9 November 2010 (date of incorporation) to 31 December 2010	Six months ended 30 June 2011
	HK$'000	*HK$'000*
Deferred taxation	—	80

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods.

The taxation for the Relevant Periods can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	For the period from 9 November 2010 (date of incorporation) to 31 December 2010	Six months ended 30 June 2011
	HK$'000	*HK$'000*
Profit before taxation	3,032	110,242
Taxation at income tax rate (2010 and 2011: 16.5%)	500	18,190
Tax effect of income that are not taxable in determining taxable profits	(530)	(18,150)
Tax effect of expenses that are not deductible in determining taxable profits	30	40
Tax effect of decelerated tax allowance recognised	—	(94)
Tax losses recognised	—	14
Deferred tax expense	—	80
Taxation expense for the period	—	80

14. Dividend

The directors of Adelio do not recommend the payment of any dividend nor transfer of any amount to reserves for the Relevant Periods.

15. Investment properties

	HK$'000
Fair value	
At 9 November 2010 (date of incorporation)	—
Acquisition of a subsidiary	300,000
At 31 December 2010 and 1 January 2011	300,000
Gain arising on change in fair value	110,000
At 30 June 2011	410,000

The fair values of the Adelio Group's investment properties at 31 December 2010 and 30 June 2011 have been arrived at on the basis of a valuation carried out on that date by Messrs. Vigers Appraisal & Consulting Limited and Norton Appraisals Limited respectively, independent qualified professional valuers not connected to the Adelio Group.

Messrs. Vigers Appraisal & Consulting Limited and Norton Appraisals Limited are members of The Hong Kong Institute of Surveyors and have appropriate qualifications and recent experiences in the valuation of similar properties in relevant locations. The valuations were arrived at by reference to market evidence of transaction prices for similar properties.

All of the Adelio Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The carrying amount of investment properties shown above comprises:

	At 31 December 2010 *HK$'000*	**At 30 June 2011** *HK$'000*
Properties in Hong Kong held under medium-term lease	300,000	410,000

At 31 December 2010, the Adelio Group had (i) pledged its investment properties with carrying amount of approximately HK$300,000,000 and (ii) total assignment of insurance proceeds of the investment properties as part of the securities for securing banking facilities granted to the Adelio Group to the extent of HK$134,000,000, of which approximately HK$80,283,000 was outstanding at the end of reporting period (note 23).

At 31 December 2010, the Adelio Group had short term loan amounting to HK$40,000,000 which was secured by a second legal charge over the same investment properties of the Adelio Group and was guaranteed by the then immediate holding company and the then directors of Rexdale Investment Limited. The charge was released and the short term loan was fully repaid during the period ended 30 June 2011 (note 24).

At 30 June 2011, the Adelio Group had pledged its investment properties of approximately HK$410,000,000 with its rental assignment for securing a mortgage loan amounted to HK$182,000,000, of which approximately HK$176,944,000 was outstanding at the end of the reporting period (note 23).

16. Property, plant and equipment

	Leasehold improvements *HK$'000*
Cost	
At 9 November 2010 (date of incorporation)	—
Acquisition of a subsidiary	23,473
At 31 December 2010, 1 January 2011 and 30 June 2011	23,473
Accumulated depreciation	
At 9 November 2010 (date of incorporation)	—
Acquisition of a subsidiary	23,473
At 31 December 2010, 1 January 2011 and 30 June 2011	23,473
Carrying amounts	
At 31 December 2010 and 30 June 2011	—

17. Deposits and prepayments

	At 31 December 2010 *HK$'000*	At 30 June 2011 *HK$'000*
Deposits	43	369
Prepayments	3,799	—
	3,842	369

The directors of Adelio consider the carrying amounts of the deposits and prepayments approximate to their fair values.

18. Amount due from the Vendor

	At 31 December 2010 *HK$'000*	At 30 June 2011 *HK$'000*
Vartan Holdings Limited	—	39,732

The maximum amount outstanding during the years ended 31 December 2010 and the period ended 30 June 2011 are as follows:

	Year ended 2010 *HK$'000*	Six months ended 30 June 2011 *HK$'000*
Vartan Holdings Limited	—	39,732

The amount due from the Vendor is unsecured, interest-free and recoverable on demand.

19. Time deposit, bank balances and cash

	At 31 December 2010	At 30 June 2011
	HK$'000	*HK$'000*
Time deposit	419	—
Cash at bank	9	2,440
	428	2,440

Time deposit is made for 3 months and earns interest at the respective short-term deposit rates. It has been pledged to a bank for the bank guarantee issued to an extent of approximately HK$414,000 to CLP Power Hong Kong Limited in lieu of a cash deposit for electricity accounts held under a subsidiary's name.

Bank saving account balances carry interest at market rates based on daily bank deposit rates whilst current accounts do not earn interest.

20. Share capital

	At 31 December 2010	At 30 June 2011
	US$	*US$*
Authorised:		
50,000 ordinary shares of US$1 each	50,000	50,000
Issued and fully paid:		
1 ordinary share of US$1 each	1	1

21. Other payables and accruals

	At 31 December 2010	At 30 June 2011
	HK$'000	*HK$'000*
Other payables	18,655	—
Accruals	229	—
	18,884	—

The directors of Adelio consider the carrying amounts of other payables and accruals approximate to their fair values.

22. Amount due to a related company and the Vendor

The amount due to a related company and the Vendor are unsecured, interest-free and repayable on demand.

23. Secured bank loans

Details of the repayment schedule in respect of the secured bank loans are as follows:

	At 31 December 2010 *HK$'000*	At 30 June 2011 *HK$'000*
Within one year or on demand	80,283	176,944

The bank loan carried interest at prime rate minus 2.25% per annum. It is repayable by 84 consecutive installments, commencing on 6 December 2007.

On 14 January 2011, the Adelio Group had commenced new bank loans carried interest at 0.75% per annum over HIBOR, which is repayable by 179 equal monthly instalments plus a final instalment.

The bank loans are secured by the Adelio Group's properties of approximately HK$410,000,000 (note 15), a personal guarantee provided by the beneficial owner of its ultimate holding company limited to HK$182,000,000 and a charge over the shares of Rexdale Investment Limited, a subsidiary of Adelio.

24. Short term loan

The short term loan represents loan from a finance company to a subsidiary of Adelio which was secured by second legal charge over the investment properties of the Adelio Group (note 15) and was guaranteed by the then immediate holding company and the then directors of Rexdale Investment Limited. The charge was released and the short term loan was fully repaid during the period ended 30 June 2011. The loan carried interest at the rate of 21.6% per annum.

25. Promissory notes

	At 31 December 2010 *HK$'000*	At 30 June 2011 *HK$'000*
Promissory notes	147,955	118,000

Pursuant to the sale and purchase agreement, the Adelio Group acquired a subsidiary for the consideration of approximately HK$157,955,000 which was settled by cash payment of HK$10,000,000 and delivery to the vendor the first promissory note of HK$118,000,000 and the second promissory note of approximately HK$29,955,000. The first promissory note will be settled within one year and the second promissory note will be settled within 14 days after the issuance of these promissory notes respectively. The promissory notes are interest free and are secured by a share charge to Lafe Corporation Limited (i.e. the vendor previously owned the entire shareholding of the subsidiary) over the share of Rexdale Investment Limited, a subsidiary of Adelio (note 27).

26. Deferred taxation

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

	Tax losses	Accelerated tax depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*
At 9 November 2010 (date of incorporation)	—	—	—
Acquisition of a subsidiary	(1,171)	2,014	843
At 31 December 2010 and 1 January 2011	(1,171)	2,014	843
(Credit)/charge to consolidated statement of comprehensive income	(14)	94	80
At 30 June 2011	(1,185)	2,108	923

27. Acquisition of a subsidiary

On 31 December 2010, One Synergy Limited, a subsidiary of Adelio, entered into a sale and purchase agreement to acquire entire equity interest in Rexdale Investment Limited ("Rexdale") at the consideration of approximately HK$157,955,000. The fair value of the identified assets and liabilities of Rexdale at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	At 31 December 2010
	HK$'000
Investment properties	300,000
Other receivables	27,920
Deposits and prepayments	3,842
Time deposit	419
Bank balances and cash	9
Rental deposits received and accruals	(3,660)
Short term loan	(40,000)
Secured bank loan	(80,283)
Deferred taxation	(843)
Other payables	(18,316)
	189,088
Gain from a bargain purchase of a subsidiary	(3,213)
Assignment of loan	(27,920)
Total consideration	157,955
Satisfied by:	
Cash	10,000
Promissory notes	147,955
	157,955

28. Interests in subsidiaries

	At 31 December 2010 HK\$'000	At 30 June 2011 HK\$'000
Unlisted share, at cost	—	—

The carrying amounts of the interests in subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

Details of Adelio's subsidiaries at 31 December 2010 and 30 June 2011 are set out as follows:

Name of subsidiary	Place of incorporation and operation	Particulars of issued share capital HK\$	Proportion of interest held Directly %	Indirectly %	Principal activities
One Synergy Limited	Hong Kong	1	100	—	Investment holding
Rexdale Investment Limited	Hong Kong	10,000,000	—	100	Property investment

29. Commitments

Lease commitments

As lessor

The Adelio Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from several months to one year. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the prevailing market conditions.

The Adelio Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 31 December 2010 HK\$'000	At 30 June 2011 HK\$'000
Within one year	11,825	6,524

30. Material related party transactions

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

No remuneration was paid to the directors of Adelio and key management personnel for the Relevant Periods.

31. Contingent liabilities

On 15 April 2010, China Finance & Assets Management Limited ("CFAM") issued a writ of summons in the High Court of the Hong Kong Special Administrative Region Court of First Instance against Rexdale, the subsidiary of Adelio, for the sum of HK$25,000,000 together with interest and costs (the "Claim"). The Claim is in relation to a cheque issued by Rexdale to CFAM which was returned unpaid when CFAM presented it for payment. CFAM failed to file its Statement of Claim to the Court by the due date of 17 May 2010. The directors of Rexdale believe the Claim has no merits and has instructed its legal counsel to apply to strike out the Claim in due course.

No legal claims provision was recognised for the above case. The liability at period-end was assessed by management of Rexdale by reviewing the Claim and discussing Rexdale's position with their legal advisers. The liability is inherently uncertain due to the existence or amount of claim being in dispute. On 12 May 2011, Rexdale filed a defense and counterclaim to the High Court.

Rexdale's legal counsel opines that the legal costs for both parties, on the assumption that Rexdale fails in its defense and counterclaim, and interests which the Court might award in favor of CFAM, Rexdale's estimated liability shall be around HK$32,000,000.

Based on the terms of the sales and purchase agreement of the equity interest in Rexdale dated at 31 December 2010, Lafe Corporation Limited, the company which previously owned the entire equity interest in Rexdale, has agreed to indemnify Rexdale and One Synergy Limited, the purchaser of the entire equity interest of Rexdale, against any and all losses, claims, damages, penalties, actions, demands, proceedings, judgment and costs arising from or in connection with the Claim, up to the sum of approximately HK$157,955,000.

The directors of Rexdale do not consider that the Claim has merit, and intend to contest it. No provision has been recognised in the Financial Information by the directors of the Adelio Group based on the indemnity raised by Lafe Corporation Limited.

32. Capital Management

Capital risk management

The primary objective of the Adelio Group's capital management is to safeguard the Adelio Group's ability to continue as a going concern, maintains a strong credit rating and healthy ratios in order to support its business and enhance shareholder value.

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

Adelio monitors capital using gearing ratio, which is the Adelio Group's total borrowings over equity attributable to owners of Adelio. The gearing ratios as at 31 December 2010 and 30 June 2011 are as follows:

	At 31 December 2010	At 30 June 2011
	HK$'000	*HK$'000*
Secured bank loans	80,283	176,944
Short term loan	40,000	—
Promissory notes	147,955	118,000
Amount due to a related company	10,168	—
Amount due to the Vender	—	40,367
Net debt	278,406	335,311
Equity attributable to owners of Adelio	3,032	113,194
Gearing ratio	9,182%	296%

33. Financial instruments

Categories of financial instruments

	At 31 December 2010	At 30 June 2011
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	471	42,541
Financial liabilities		
Amortised cost	300,395	338,424

Financial risk management objectives and policies

The Adelio Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Adelio Group's financial performance. These risks include credit risk, liquidity risk, interest rate risk, market risk and foreign currency risk.

(a) Credit risk

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

The Adelio Group's credit risk is primarily attributable to deposits and other receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful debts, if any, estimated by the Adelio Group's management based on prior experience and their assessment of the current economic environment.

In order to minimise the credit risk, the management of the Adelio Group has delegated a team 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 Adelio Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Adelio consider that the Adelio Group's credit risk is significantly reduced.

(b) *Liquidity risk*

The Adelio Group manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due.

The Adelio Group closely monitors its exposure to liquidity risk by reviewing the cash position report monthly. The Adelio Group mainly relies on cash inflow from provision of management services to fund its operations. The Adelio Group has sufficient cash on hand and also has alternative plans to monitor liquidity risk should there be significant adverse changes on the Adelio Group's cash flow projections.

The following tables detail the Adelio Group'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 Adelio Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate	On demand or less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total contractual undiscounted cash flow	Total carrying amounts
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2010								
Other payables and accruals	—	18,884	—	—	—	—	18,884	18,884
Rental deposits received	—	3,105	—	—	—	—	3,105	3,105
Amount due to a related company	—	10,168	—	—	—	—	10,168	10,168
Secured bank loans	3%	1,777	3,554	79,965	—	—	85,296	80,282
Short term loan	21.6%	—	—	40,000	—	—	40,000	40,000
Promissory notes	—	29,955	—	118,000	—	—	147,955	147,955
		63,889	3,554	237,965	—	—	305,408	300,394
At 30 June 2011								
Rental deposits received	—	3,113	—	—	—	—	3,113	3,113
Amount due to the Vendor	—	40,367	—	—	—	—	40,367	40,367
Secured bank loans	3%	1,452	2,025	186,551	—	—	190,028	176,944
Promissory notes	—	—	—	118,000	—	—	118,000	118,000
		44,932	2,025	304,551	—	—	351,508	338,424

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Adelio Group's exposure to the risk of changes in market interest rates relates primarily to the Adelio Group's secured bank loans with floating interest rates.

It is estimated that a general increase or decrease of 10 basis points in interest rates, with all other variables held constant, would decrease or increase the Adelio Group's profit after tax and retained profits in approximately as follows:

	At 31 December 2010 *HK$'000*	**At 30 June 2011** *HK$'000*
Decrease or increase the Adelio Group's profit after tax and retained profits	80	177

(d) *Market risk*

The Adelio Group is exposed to market risk in respect of investment properties trading on spot market earning rates. The risk is reduced to the extent that the investment properties are placed on leases where the rental rates are fixed.

(e) *Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to change in foreign exchange rates.

The Adelio Group is not exposed to foreign currency risk as the majority of transactions are denominated in the functional currency of the operations. The Adelio Group does not hold or issue any derivative financial instruments for trading purposes or to hedge against fluctuations in foreign exchange rates.

(f) *Fair value of financial instruments*

The fair values of financial assets and financial liabilities are determined as follows:

— The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

— The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

— The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of Adelio consider that the carrying amounts of financial assets and financial liabilities recognised in the Financial Information approximate to their fair values.

34. Subsequent events

No significant events took place subsequent to 30 June 2011.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Adelio Group in respect of any period subsequent to 30 June 2011 and no dividends or other distributions have been declared by the Adelio Group in respect of any period subsequent to 30 June 2011.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

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, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

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

23 November 2011

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

Dear Sirs,

INTRODUCTION

We report on the financial information of Rexdale Investment Limited ("Rexdale") for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 (the "Relevant Periods") and the notes thereto (the "Financial Information") set out in Sections A, B and C below for inclusion in Appendix IIIB to the circular of Eternity Investment Limited (the "Company") dated 23 November 2011 (the "Circular") in connection with the sale and purchase agreement dated 25 May 2011 (the "Agreement") entered into between Riche (BVI) Limited (the "Purchaser"), a wholly owned subsidiary of the Company, and Vartan Holdings Limited (the "Vendor"). Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire the entire issued share capital of Adelio Holdings Limited at a total consideration of HK$267.60 million (the "Acquisition").

Rexdale is a company incorporated in Hong Kong with limited liability on 23 June 1981. The principal business activity is property investment and entering into leases with tenants of the property, which is situated in a building, namely Lucky (Kwun Tong) Industrial Building, located at Nos. 398-402 Kwun Tong Road, Kowloon, Hong Kong (the "Property"). The principal asset of Rexdale is the Property. As at 30 June 2011, Rexdale is wholly owned by One Synergy Limited, a wholly owned subsidiary of Adelio Holdings Limited.

The financial information has been prepared based on the statutory financial statements of Rexdale for the financial years ended 31 December 2008, 2009 and 2010 and were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinance, and were audited by Moore Stephens Associates Limited in years ended 31 December 2008 and 2009 and audited by Law Yuk Lan, CPA in year ended 31 December 2010.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of Rexdale based on the financial statements of Rexdale for the Relevant Periods (the "Underlying Financial Statements"), on the basis as set out in Note 2 below. The Underlying Financial Statements has been prepared in accordance with Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the HKICPA.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of Rexdale are responsible for the preparation and the true and fair presentation of the Financial Information and Underlying Financial Statements in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. The directors of the Company are responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITY

For the purpose of this report, we have carried out appropriate audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

It our responsibility to form and independent opinion, based on our audit, on the Financial Information.

The Financial Information of Rexdale for the Relevant Periods set out in this report has been prepared based on the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Circular. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

OPINION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of Rexdale as at 31 December 2008, 2009 and 2010 and 30 June 2011 and of the results and cash flows of Rexdale for the Relevant Periods.

MATERIAL UNCERTAINTY CONCERNING GOING CONCERN BASIS OF ACCOUNTING

Without qualifying our opinion, we draw attention in Note 2 to the Financial Information which indicates that Rexdale's current liabilities exceeded its current assets by approximately HK$105,335,000, HK$105,046,000, HK$110,069,000 and HK$109,583,000 as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively. These conditions, along with other matters as set out in Note 2 to the Financial Information, indicate that existence of a material uncertainty which may cast significant doubt about Rexdale's ability to continue as a going concern.

COMPARATIVE FINANCIAL INFORMATION

Respective responsibilities of directors and reporting accountants

The directors of Rexdale are responsible for the preparation and presentation of the unaudited financial information of Rexdale including the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 1 January 2010 to 30 June 2010, together with the notes thereto (the "Unaudited Comparative Financial Information of Rexdale").

For the purpose of this Circular, we have reviewed the Unaudited Comparative Financial Information of Rexdale, for which the directors of Rexdale are responsible, in accordance with Hong Kong Standard on Review Engagement 2400 "Engagements to Review Financial Statements" issued by the HKICPA. A review consists principally of making enquiries of Rexdale's management and applying analytical procedures to the Unaudited Comparative Financial Information of Rexdale and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the Unaudited Comparative Financial Information of Rexdale.

Conclusion

On the basis of our review which does not constitute an audit, for the purpose of this Circular, nothing has come to our attention that causes us to believe that the Unaudited Comparative Financial Information of Rexdale is not prepared, in all material respects, in accordance with HKFRSs.

A. FINANCIAL INFORMATION OF REXDALE

Statements of comprehensive income

		Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Turnover	*8*	6,750	6,597	7,352	3,494	6,533
Other revenue and gains	*9*	3	1	1	—	—
Gain arising on change in fair value of investment properties	*16*	14,930	10,760	45,000	—	110,000
Administrative expenses		(2,062)	(2,575)	(4,530)	(3,747)	(1,375)
Profit/(loss) from operating activities		19,621	14,783	47,823	(253)	115,158
Finance costs	*13*	(4,303)	(3,179)	(7,846)	(2,462)	(4,672)
Profit/(loss) before taxation	*10*	15,318	11,604	39,977	(2,715)	110,486
Income tax credit/(expense)	*14*	103	95	830	447	(80)
Profit/(loss) for the year/period		15,421	11,699	40,807	(2,268)	110,406
Profit/(loss) for the year/period attributable to owners of Rexdale		15,421	11,699	40,807	(2,268)	110,406
Total comprehensive income/(loss) for the year/period		15,421	11,699	40,807	(2,268)	110,406
Total comprehensive income/(loss) for the year/period attributable to owners of Rexdale		15,421	11,699	40,807	(2,268)	110,406

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

Statements of financial position

		At 31 December			At 30 June
		2008	**2009**	**2010**	**2011**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Investment properties	*16*	243,440	255,000	300,000	410,000
Property, plant and equipment	*17*	6	—	—	—
		243,446	255,000	300,000	410,000
Current assets					
Trade receivables	*18*	540	—	—	—
Deposits and prepayments	*19*	43	43	3,842	369
Amount due from the Vendor	*20*	—	—	—	39,732
Amount due from immediate holding company	*21*	30,997	30,997	27,920	27,924
Amounts due from fellow subsidiaries	*22*	—	861	—	—
Amounts due from related companies	*23*	3,186	68	—	—
Amount due from intermediate holding company	*24*	—	—	—	9
Time deposit, bank balances and cash	*25*	424	422	428	2,440
		35,190	32,391	32,190	70,474
Total assets		278,636	287,391	332,190	480,474
EQUITY					
Capital and reserves attributable to owners of Rexdale					
Share capital	*26*	10,000	10,000	10,000	10,000
Reserves		126,582	138,281	179,088	289,494
Total equity		136,582	148,281	189,088	299,494

		At 31 December			At 30 June
		2008	2009	2010	2011
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES					
Current liabilities					
Other payables and accruals	*27*	618	300	18,871	—
Rental deposits received		1,979	2,130	3,105	3,113
Amounts due to fellow subsidiaries	*28*	20,929	35,967	—	—
Amount due to a related company	*28*	18	416	—	—
Tax payable		1,510	1,260	—	—
Secured bank loans	*29*	115,471	97,364	80,283	176,944
Short term loan	*30*	—	—	40,000	—
		140,525	137,437	142,259	180,057
Non-current liabilities					
Deferred taxation	*31*	1,529	1,673	843	923
Total liabilities		142,054	139,110	143,102	180,980
Total equity and liabilities		278,636	287,391	332,190	480,474
Net current liabilities		(105,335)	(105,046)	(110,069)	(109,583)
Total assets less current liabilities		138,111	149,954	189,931	300,417

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

Statements of changes in equity

	Share capital *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2008	10,000	111,161	121,161
Profit for the year	—	15,421	15,421
Total comprehensive income for the year	—	15,421	15,421
At 31 December 2008 and 1 January 2009	10,000	126,582	136,582
Profit for the year	—	11,699	11,699
Total comprehensive income for the year	—	11,699	11,699
At 31 December 2009 and 1 January 2010	10,000	138,281	148,281
Profit for the year	—	40,807	40,807
Total comprehensive income for the year	—	40,807	40,807
At 31 December 2010 and 1 January 2011	10,000	179,088	189,088
Profit for the period	—	110,406	110,406
Total comprehensive income for the period	—	110,406	110,406
At 30 June 2011	10,000	289,494	299,494
At 1 January 2010	10,000	138,281	148,281
Loss for the period	—	(2,268)	(2,268)
Total comprehensive loss for the period	—	(2,268)	(2,268)
At 30 June 2010 (Unaudited)	10,000	136,013	146,013

Statements of cash flows

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Operating activities					
Profit/(loss) before taxation	15,318	11,604	39,977	(2,715)	110,486
Adjustments for:					
Interest income	(3)	(1)	—	—	—
Interest expense	4,303	3,179	7,846	2,462	4,672
Gain arising on change in fair value of investment properties	(14,930)	(10,760)	(45,000)	—	(110,000)
Depreciation	119	6	—	—	—
Operating cash flows before movements in working capital	4,807	4,028	2,823	(253)	5,158
(Increase)/decrease in trade receivables	(540)	540	—	—	—
Decrease in deposits and prepayments	—	—	(3,799)	(7,945)	3,473
Increase in amount due from the Vendor	—	—	—	—	(39,732)
Decrease/(increase) in amount due from immediate holding company	—	—	3,077	—	(4)
Decrease/(increase) in amounts due from fellow subsidiaries	3,794	(861)	861	861	—
(Increase)/decrease in amounts due from related companies	(3,186)	3,118	68	(1,542)	—
Increase in amount due from intermediate holding company	—	—	—	—	(9)
(Decrease)/increase in other payables and accruals	(1,524)	(318)	18,571	291	(18,871)
(Decrease)/increase in rental deposits received	(450)	151	975	(390)	8
Increase/(decrease) in amounts due to fellow subsidiaries	18,988	15,038	(35,967)	(35,967)	—
Increase/(decrease) in amounts due to a related company	18	398	(416)	17,942	—
Cash generated from/(used in) operations	21,907	22,094	(13,807)	(27,003)	(49,977)
Income tax paid	—	(11)	(1,260)	(1,260)	—
Interest paid	(4,303)	(3,179)	(7,846)	(2,462)	(4,672)
Net cash generated from/(used in) operating activities	17,604	18,904	(22,913)	(30,725)	(54,649)

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Investing activities					
Interest received	3	1	—	—	—
Payments to acquire investment properties	—	(800)	—	—	—
(Increase)/decrease in pledged time deposit	(417)	(1)	(1)	—	419
Net cash (used in)/generated from investing activities	(414)	(800)	(1)	—	419
Financing activities					
Repayment of secured bank loans	(17,205)	(18,107)	(17,081)	(9,259)	(85,339)
Repayment of short term loan	—	—	—	—	(40,000)
Proceeds from a secured bank loan	—	—	—	—	182,000
Proceeds from short term loan	—	—	40,000	40,000	—
Net cash (used in)/generated from financing activities	(17,205)	(18,107)	22,919	30,741	56,661
Net (decrease)/increase in cash and cash equivalents	(15)	(3)	5	16	2,431
Cash and cash equivalents at beginning of the year/period	22	7	4	4	9
Cash and cash equivalents at end of the year/period	7	4	9	20	2,440
Analysis of the balances of cash and cash equivalents					
Time deposit, bank balances and cash	424	422	428	438	2,440
Less: time deposit	(417)	(418)	(419)	(418)	—
	7	4	9	20	2,440

B. NOTES TO FINANCIAL INFORMATION

1. General information

Rexdale is a company incorporated in Hong Kong with limited liability on 23 June 1989. The address of its registered office and principal place of business is Room 2104A, 21/F., Tower 1 Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong. The ultimate holding company is Kwan Wing Holdings Limited, a company incorporated in British Virgin Islands, and it does not produce financial statements available for public use.

Rexdale's principal activity is property investment.

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

2. Basis of preparation

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. In addition, the Financial Information included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Financial Information has been prepared under historical cost convention except for certain properties and financial instruments which are carried at fair value. 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 judgment in the process of applying Rexdale's accounting policies.

Rexdale's books and records are maintained in Hong Kong Dollars ("HK$") as the directors of Rexdale control and monitor the performance and financial position of Rexdale in HK$.

As at 31 December 2008, 2009 and 2010 and 30 June 2011, Rexdale's current liabilities exceeded its current assets by approximately HK$105,335,000, HK$105,046,000, HK$110,069,000 and HK$109,583,000 respectively. The Financial Information has been prepared on a going concern basis because the ultimate holding company of Rexdale has confirmed to provide continuing financial support to Rexdale to enable it to continue as a going concern and to settle its liabilities as and when they fall due for the foreseeable future.

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

The accounting policies used in the Circular are consistent with those followed in the preparation of the annual financial statements of Rexdale for the Relevant Periods.

In the current period, Rexdale 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 Rexdale's accounting period beginning on 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

Except as described below, the adoption of the new and revised HKFRSs has no material effect on the Financial Information of Rexdale for the current or prior accounting period.

Amendments to HK Interpretation 5 ("HK-Int 5"): Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HK-Int 5 requires that a term loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement. Prior to the adoption of this interpretation, Rexdale's term loan was classified in the statement of financial position separately as to the current and non-current liability portions based on the maturity dates of repayment. Upon the adoption of the interpretation, the term loan has been reclassified as a current liability. The interpretation has been applied by Rexdale retrospectively.

Amendments to HKAS 12 Income Taxes

In addition, the Adelio Group has early adopted HKAS 12 at the year ended 2010, the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets have been applied in advance of their effective date (accounting period beginning on or after 1 January 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. Prior to the amendment, deferred taxation on investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of investment properties through use. Therefore, based on the amendment, Rexdale's investment properties in Hong Kong do not have to provide deferred tax on fair value changes arising from revaluation of investment properties or arising from the presumption is rebutted. This change in policy has been applied by Rexdale retrospectively.

Effects of the changes in the accounting policies on the statement of comprehensive income:

	Year ended 31 December 2008		
	Balance per audited report	HKAS 12	Restated
	HK$'000	*HK$'000*	*HK$'000*
Income tax (expense)/credit	(24,281)	24,384	103
(Loss)/profit for the year	(8,963)	24,384	15,421

	Year ended 31 December 2009		
	Balance per audited report	HKAS 12	Restated
	HK$'000	*HK$'000*	*HK$'000*
Income tax (expense)/credit	(1,680)	1,775	95
Profit for the year	9,924	1,775	11,699

Effects of the changes in the accounting policies on the statement of financial position:

	Year ended 31 December 2008			
	Balance per audited report	HKAS 12	HK-Int 5	Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank loans — current portion	(18,107)	—	(97,364)	(115,471)
Secured bank loans — non-current portion	(97,364)	—	97,364	—
Deferred taxation	(25,913)	24,384	—	(1,529)
Retained earnings	(102,198)	(24,384)	—	(126,582)

	Year ended 31 December 2009			
	Balance per audited report	HKAS 12	HK-Int 5	Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank loans — current portion	(18,658)	—	(78,706)	(97,364)
Secured bank loans — non-current portion	(78,706)	—	78,706	—
Deferred taxation	(27,832)	26,159	—	(1,673)
Retained earnings	(112,122)	(26,159)	—	(138,281)

	Year ended 31 December 2010			
	Balance per audited report	**HKAS 12**	**HK-Int 5**	**Restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank loans — current portion	(20,803)	—	(59,480)	(80,283)
Secured bank loans — non-current portion	(59,480)	—	59,480	—

4. New and revised standards, amendments and interpretations in issue but not yet effective

Rexdale has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 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)	Disclosure — Transfer 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

Under HKFRS 9 Financial Instruments, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The amendments to HKFRS 7 Disclosures — Transfer of Financial Assets interest the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level continuing exposure in the asset. The amendments also require disclosures when transfers of financial assets are not evenly distributed throughout the period.

The directors of Rexdale anticipate that the application of the new and revised standards, amendments and interpretations will have no material impact on the results and the financial position of Rexdale.

5. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Revenue recognition

Rental income, including rentals invoiced in advance, from properties under operating lease is recognised on a straight-line basis over the period of the respective leases.

Service fee income is recognised when the services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(b) Impairment of assets

Internal and external sources of information are reviewed at the end of each reporting period to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the statement of comprehensive income in the reporting period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

Reversals of impairment losses

An impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to the statement of comprehensive income in the reporting period in which the reversals are recognised.

(c) 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 reporting period. Taxable profit is the profit for the reporting period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. 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 difference can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the reporting period when the liability is settled or the asset realised. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(d) Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gain or loss arising from changes in the fair value of investment properties are included in the statement of comprehensive income for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the property) is included in the statement of comprehensive income for the year in which the item is derecognised.

An investment property is transferred at fair value to properties and other fixed assets when the property begins to be occupied by the owner. Gain or loss arising from change in fair value of the investment property upon the transfer is included in the statement of comprehensive income.

An owner-occupied property is transferred from properties and other fixed assets to investment property at fair value when it is evidenced by the end of owner-occupation. The difference between the carrying amount and fair value at the date of transfer is accounted for as a revaluation increase in accordance with HKAS 16 Property, Plant and Equipment. On the subsequent sale or retirement of assets, the relevant revaluation reserve will be transferred directly to retained profits.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment has been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the reporting period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is recognised so as to write off the cost of property, plant and equipment, using the straight-line method, over their estimated useful lives. The estimated useful lives residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Leasehold improvements	20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in the statement of comprehensive income in the year in which the asset is derecognised.

(f) ***Financial instruments***

Financial assets and financial liabilities are recognised on the statement of financial position 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 the statement of comprehensive income.

Financial assets

Rexdale's financial assets are classified into loans and receivables. 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. Rexdale's major financial assets fall within the category of loans and receivables and the accounting policies adopted are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 on 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 asset, 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables including trade receivables, deposits, other receivables, amount due from immediate holding company, amounts due from fellow subsidiaries, amounts due from related companies, amount due from intermediate holding company, time deposit, bank balances and cash are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where 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 financial assets have been impacted.

For all financial assets, objective evidence of impairment could include:

(i) significant financial difficulty of the issuer or counterparty; or

(ii) breach of contract, such as a default or delinquency in interest or principal payments; or

(iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

For financial assets carried at amortised cost, an impairment loss is recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent reporting periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income.

For financial assets measured at amortised cost, if, in a subsequent reporting period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset 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

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Rexdale's financial liabilities are mainly comprised of other financial liabilities which include other payables, accruals, rental deposits received, amounts due to fellow subsidiaries, amount due to a related company, secured bank loans and short term loan which fall within the category of other financial liabilities. These financial liabilities are subsequently measured at amortised cost, using the effective interest method.

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 Rexdale are recognised at the proceeds received, net of direct issue costs.

Repurchase of Rexdale's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of Rexdale's own equity instruments.

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 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

Rexdale 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. 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.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of comprehensive income.

Determination of fair value

The fair value of financial instruments traded in active markets at the end of the reporting period is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include discounted cash flows analysis, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation models.

(g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that Rexdale will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(i) ***Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

(j) ***Leases***

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to Rexdale. Assets held under finance leases are initially recognised as at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor, net of interest charges, is included in the statement of financial position as a finance lease obligation. Finance costs are charged to the statement of comprehensive income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each reporting period.

All other leases are classified as operating leases and the annual rentals are charged to the statement of comprehensive income on a straight-line basis over the relevant lease term.

(k) ***Employee benefits***

Employment Ordinance long service payments

Certain of Rexdale's employees have completed the required number of years of service to Rexdale in order to be eligible for long service payments under the Employment Ordinance in the event of the termination of their employment. Rexdale is liable to make such payments in the event that such a termination of employments meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to Rexdale to the end of reporting period.

Retirement benefit obligations

Rexdale operates the Mandatory Provident Fund Scheme (the "MPF Scheme'') under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% to 10% of the employees' relevant income, with the employees' contributions subject to a cap of monthly relevant income of HK$20,000. Rexdale's contributions to the MPF Scheme are expensed as incurred. 5% of relevant income vests immediately upon the completion of service in the relevant service period, while the remaining portion vests in accordance with the MPF Scheme's vesting scales. Where employees leave the MPF Scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by Rexdale.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Rexdale recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer make to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(l) Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(m) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Rexdale. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Rexdale. A contingent asset is not recognised but is disclosed in the notes to the Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(n) Related party transaction

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influences. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(o) Provisions

Provisions are recognised when Rexdale has a present obligation (legal or constructive) as a result of a past event, it is probable that Rexdale 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.

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.

6. Critical accounting estimates and judgments

Estimates and judgments 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.

Rexdale 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 within the next reporting period are discussed below.

(a) Trade receivables

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, Rexdale may experience delays in collection. Where recoverability of trade debtor balances is called into doubts, specific provisions for impairments are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivables to the statement of comprehensive income. Changes in the collectability of trade receivables for which provisions are not made could affect our results of operations.

(b) Useful lives of property, plant and equipment

In accordance with HKAS 16, Rexdale estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the assets are acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. Rexdale also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(c) Investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value of the investment properties, the valuers have based on method of valuation which involves certain assumptions and estimates that reflect, including comparable market transactions assuming that Rexdale sales the properties on the market in their existing state by making reference to comparable sales evidences as available in the relevant market. In relying on the valuation report, the management of Rexdale has exercised their judgment and is satisfied that the method of valuation is reflective of the current market conditions. Should there be any changes in assumptions due to change of market conditions, the fair value of the investment properties will change in future.

(d) Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Rexdale 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.

The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the statement of comprehensive income for the year in which such a reversal takes place.

(e) Contingent liabilities of claim

The policy for recognising contingent liabilities of legal claim is based on the evaluation by the management's judgment and opinion of the legal advisers. A considerable amount of judgment is required in assessing the probability of claim and the amount of probable liability is uncertain. If the outcome of the court judgment is not favorable to Rexdale, liabilities of litigation claim will be understated.

7. Operating segments

As per HKFRS 8 Operating Segments, no business analysis and segment reporting information such as segment revenue, results, assets, liabilities and other information are shown substantially as Rexdale only engages in property investment business in Hong Kong.

8. Turnover

	Year ended 31 December			**Six months ended 30 June**	
	2008	**2009**	**2010**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Rental income	6,648	6,529	6,886	3,466	6,517
Parking income	102	68	54	28	16
Service fee income	—	—	412	—	—
	6,750	6,597	7,352	3,494	6,533

9. Other revenue and gains

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Bank interest income	3	1	—	—	—
Sundry income	—	—	1	—	—
	3	1	1	—	—

10. Profit/(loss) before taxation

Profit/(loss) before taxation has been arrived after (charging)/crediting:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Auditors' remuneration	(96)	(96)	(15)	(8)	—
Depreciation of property, plant and equipment	(119)	(6)	—	—	—
Staff costs including directors' remuneration					
— salaries and other allowances	—	—	(233)	(38)	—
— contributions to retirement benefits scheme	—	—	(11)	—	—
Gross rental income from investment properties	6,648	6,529	6,886	3,466	6,517
Less: Direct operating expenses from investment properties that generated rental income during the year/period	(1,633)	(2,270)	(866)	(415)	(595)
	5,015	4,259	6,020	3,051	5,922

11. Directors' emoluments

No emoluments were paid to the directors of Rexdale for the Relevant Periods.

	Fees	Salaries and bonuses	Contributions to retirement benefits scheme	Share-based payment expenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Lee Yen Kee, Ruby[4]	—	—	—	—	—
Crosthwaite Chan Eleanor Anne[4]	—	—	—	—	—
Lam Chuck Fai[1]	—	—	—	—	—
Law Kwok Fai, Paul[2]	—	—	—	—	—
Li Yung Kan[3]	—	—	—	—	—
Ku Sau Shan Lawrence James[5]	—	—	—	—	—
One Synergy Limited[5]	—	—	—	—	—
Total emoluments	—	—	—	—	—

None of the directors of Rexdale has waived any emoluments during the Relevant Periods.

Notes:

1 Resigned on 31 December 2008.
2 Appointed on 7 June 2010 and resigned on 31 December 2010.
3 Appointed on 15 June 2010 and resigned on 31 December 2010.
4 Resigned on 15 June 2010.
5 Appointed on 31 December 2010.

12. Employees' emoluments

The emoluments of the three individual staff are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries and other allowances	—	—	233	38	—
Contributions to retirement benefits scheme	—	—	11	—	—
	—	—	244	38	—

Their emoluments are within the following bands:

	Number of employees				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Nil — HK$1,000,000	—	—	3	3	—

13. Finance costs

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest on secured bank loans wholly repayable within five years	4,303	3,179	2,633	1,080	431
Interest on short term loan	—	—	5,213	1,382	4,241
	4,303	3,179	7,846	2,462	4,672

14. Income tax (credit)/expense

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

Details of the taxation in the statement of comprehensive income are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Current tax expense	—	(239)	—	—	—
Deferred taxation	(103)	144	(830)	(447)	80
	(103)	(95)	(830)	(447)	80

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods.

The taxation for the Relevant Periods can be reconciled to the profit/(loss) before taxation per the statement of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit/(loss) before taxation	15,318	11,604	39,977	(2,715)	110,486
Taxation at income tax rate (2008, 2009, 2010 and 2011: 16.5%)	2,527	1,915	6,596	(448)	18,230
Tax effect of income that are not taxable in determining taxable profits	(2,464)	(1,776)	(7,425)	—	(18,150)
Tax effect of expenses that are not deductable in determining taxable profits	20	5	—	—	—
Tax effect of decelerated tax allowance recognised	(195)	(187)	(186)	(93)	(94)
Tax losses recognised	112	43	1,015	541	14
Over provision in prior year	—	(239)	—	—	—
Deferred tax (credit)/ expense	(103)	144	(830)	(447)	80
Taxation expense for the year/period	(103)	(95)	(830)	(447)	80

15. Dividend

The directors of Rexdale do not recommend the payment of any dividend nor transfer of any amount to reserves for the Relevant Periods.

16. Investment properties

	HK$'000
Fair value	
At 1 January 2008	228,510
Gain arising on change in fair value	14,930
At 31 December 2008 and 1 January 2009	243,440
Additions	800
Gain arising on change in fair value	10,760
At 31 December 2009 and 1 January 2010	255,000
Gain arising on change in fair value	45,000
At 31 December 2010 and 1 January 2011	300,000
Gain arising on change in fair value	110,000
At 30 June 2011	410,000

The fair values of Rexdale's investment properties at 31 December 2008, 2009 and 2010 and 30 June 2011 have been arrived at on the basis of a valuation carried out on that date by Messrs. RHL Appraisal Limited, BMI Appraisals Limited, Vigers Appraisal & Consulting Limited and Norton Appraisals Limited respectively, independent qualified professional valuers not connected to Rexdale.

Messrs. RHL Appraisal Limited, BMI Appraisals Limited, Vigers Appraisal & Consulting Limited and Norton Appraisals Limited are members of The Hong Kong Institute of Surveyors and have appropriate qualifications and recent experiences in the valuation of similar properties in relevant locations. The valuations were arrived at by reference to market evidence of transaction prices for similar properties.

All of Rexdale's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The carrying amount of investment properties shown above comprises:

	At 31 December			At 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Properties in Hong Kong held under medium-term lease	243,440	255,000	300,000	410,000

At 31 December 2008, 2009 and 2010, Rexdale had (i) pledged its investment properties with carrying amount of approximately HK$243,440,000, HK$255,000,000 and HK$300,000,000 respectively and (ii) total assignment of insurance proceeds of the investment properties as part of the securities for securing banking facilities granted to Rexdale to the extent of HK$134,000,000, of which approximately HK$115,471,000, HK$97,364,000 and HK$80,283,000 was outstanding at the end of each reporting period respectively (note 29).

At 31 December 2010, Rexdale had short term loan amounting to HK$40,000,000 which was secured by a second legal charge over the same investment properties of Rexdale and was guaranteed by the then immediate holding company and then directors. The charge was released and the short term loan was fully repaid during the period ended 30 June 2011 (note 30).

At 30 June 2011, Rexdale had pledged its investment properties of approximately HK$410,000,000 with its rental assignment for securing a mortgage loan amounted to HK$182,000,000, of which approximately HK$176,944,000 was outstanding at the end of the reporting period (note 29).

17. Property, plant and equipment

	Leasehold improvements *HK$'000*
Cost	
At 1 January 2008, 31 December 2008, 31 December 2009, 31 December 2010 and 30 June 2011	23,473
Accumulated depreciation	
At 1 January 2008	23,348
Charged for the year	119
At 31 December 2008 and 1 January 2009	23,467
Charged for the year	6
At 31 December 2009, 31 December 2010 and 30 June 2011	23,473
Carrying amounts	
At 31 December 2008	6
At 31 December 2009, 31 December 2010 and 30 June 2011	—

18. Trade receivables

	At 31 December			**At 30 June**
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 — 30 days	540	—	—	—
Less: Impairment loss recognised	—	—	—	—
	540	—	—	—

For the Relevant Periods, Rexdale had no trade receivables past due but not impaired. Rexdale does not hold any collateral over these balances.

The directors of Rexdale consider the carrying amounts of trade receivables approximate to their fair values.

19. Deposits and prepayments

	At 31 December			At 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits	43	43	43	369
Prepayments	—	—	3,799	—
	43	43	3,842	369

The directors of Rexdale consider the carrying amounts of the deposits and prepayments approximate to their fair values.

20. Amount due from the Vendor

	At 31 December			At 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Vartan Holdings Limited	—	—	—	39,732

The maximum amount outstanding during the years ended 31 December 2008, 2009 and 2010 and the period ended 30 June 2011 are as follows:

	Year ended			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Vartan Holdings Limited	—	—	—	39,732

The amount due from the Vendor is unsecured, interest-free and recoverable on demand.

21. Amount due from immediate holding company

	At 31 December			At 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Lafe Corporation Limited	30,997	30,997	—	—
One Synergy Limited	—	—	27,920	27,924
	30,997	30,997	27,920	27,924

On 31 December 2010, there was change in immediate holding company of Rexdale from Lafe Corporation Limited to One Synergy Limited as a result of share transfer.

The maximum amount outstanding during the Relevant Periods are as follows:

	Year ended			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Lafe Corporation Limited	30,997	30,997	30,997	—
One Synergy Limited	—	—	27,920	27,924

The amount due from immediate holding company is unsecured, interest-free and recoverable on demand.

22. Amounts due from fellow subsidiaries

	At 31 December			At 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Vigers Asia Pacific Limited	—	860	—	—
Vigers Security Limited	—	1	—	—
	—	861	—	—

The maximum amount outstanding during the Relevant Periods are as follows:

	Year ended			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Vigers Asia Pacific Limited	—	860	860	—
Vigers Security Limited	—	2	1	—

The amounts due from fellow subsidiaries are unsecured, interest-free and recoverable on demand.

23. Amounts due from related companies

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Innovative Capital Limited	2,473	—	—	—
Capetronic Technology Limited	78	47	—	—
Devon Technical Services Limited	32	21	—	—
Emerson Radio (HK) Limited	383	—	—	—
Feedback Limited	23	—	—	—
Lafe Holdings Limited	11	—	—	—
The Grande Group Hong Kong Limited	186	—	—	—
	3,186	68	—	—

The maximum amount outstanding during the Relevant Periods are as follows:

	Year ended			Six months ended 30 June
	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Innovative Capital Limited	2,473	2,473	—	—
Capetronic Technology Limited	102	119	47	—
Devon Technical Services Limited	32	38	21	—
Emerson Radio (HK) Limited	811	383	—	—
Feedback Limited	23	23	—	—
Lafe Technology Hong Kong Limited	11	11	—	—
Lafe Holdings Limited	1,180	186	—	—

The amounts due from related companies are unsecured, interest-free and recoverable on demand.

24. Amount due from intermediate holding company

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Adelio Holdings Limited	—	—	—	9

The maximum amount outstanding during the Relevant Periods are as follows:

	Year ended			Six months ended 30 June
	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Adelio Holdings Limited	—	—	—	9

The amount due from intermediate holding company is unsecured, interest-free and recoverable on demand.

25. Time deposit, bank balances and cash

	At 31 December			At 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Time deposit	417	418	419	—
Cash at bank	4	4	9	2,440
Cash on hand	3	—	—	—
	424	422	428	2,440

Time deposit is made for 3 months and earns interest at the respective short-term deposit rates. It has been pledged to a bank for the bank guarantee issued to an extent of approximately HK$414,000 to CLP Power Hong Kong Limited in lieu of a cash deposit for electricity accounts held under Rexdale's name.

Bank saving account balances carry interest at market rates based on daily bank deposit rates whilst current accounts do not earn interest.

26. Share capital

	At 31 December			At 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Authorised:				
10,000,000 ordinary shares of HK$1 each	10,000	10,000	10,000	10,000
Issued and fully paid:				
10,000,000 ordinary shares of HK$1 each	10,000	10,000	10,000	10,000

27. Other payables and accruals

	At 31 December			At 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	16	—	18,655	—
Accruals	602	300	216	—
	618	300	18,871	—

The directors of Rexdale consider the carrying amounts of other payables and accruals approximate to their fair values.

28. Amounts due to fellow subsidiaries and a related company

The amounts due to fellow subsidiaries and a related company are unsecured, interest-free and repayable on demand.

29. Secured bank loans

Details of the repayment schedule in respect of the secured bank loans are as follows:

	At 31 December			At 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year or on demand	115,471	97,364	80,283	176,944

The bank loan carried interest at prime rate minus 2.25% per annum. It is repayable by 84 consecutive installments, commencing on 6 December 2007.

On 14 January 2011, Rexdale had commenced new bank loans carried interest at 0.75% per annum over HIBOR, which is repayable by 179 equal monthly instalments plus a final instalment.

The bank loans are secured by Rexdale's properties of approximately HK$410,000,000 (note 16), a personal guarantee provided by the beneficial owners of its ultimate holding company limited to HK$182,000,000 and a charge over the shares of Rexdale Investment Limited, the intermediate holding company.

30. Short term loan

The short term loan represents loan from a finance company to Rexdale which was secured by second legal charge over the investment properties of Rexdale (note 16) and was guaranteed by third parties. The charge was released and the short term loan was fully repaid during the period ended 30 June 2011. The loan carried interest at the rate of 21.6% per annum.

31. Deferred taxation

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

	Tax losses	Accelerated tax depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2008	—	1,632	1,632
(Credit)/charge to statement of comprehensive income	(112)	9	(103)
At 31 December 2008 and 1 January 2009	(112)	1,641	1,529
(Credit)/charge to statement of comprehensive income	(43)	187	144
At 31 December 2009 and 1 January 2010	(155)	1,828	1,673
(Credit)/charge to statement of comprehensive income	(1,016)	186	(830)
At 31 December 2010 and 1 January 2011	(1,171)	2,014	843
(Credit)/charge to statement of comprehensive income	(14)	94	80
At 30 June 2011	(1,185)	2,108	923

32. Commitments

Lease commitments

As lessor

Rexdale leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from several months to one year. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

Rexdale had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 31 December			At 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	10	928	11,825	6,524

33. Material related party transactions

Save as disclosed elsewhere in the Financial Information, Rexdale entered into the following material related party transactions during the Relevant Periods:

(a) Remuneration for key management personnel during the Relevant Periods were disclosed in Note 12 to the Financial Information.

(b) Rexdale had the following material transactions with following related parties during the Relevant Periods:

Nature of related party relationship	Nature of transaction	Year ended 31 December			Six months ended 30 June	
		2008	**2009**	**2010**	**2010**	**2011**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Related companies	Acquisition of investment properties	—	800	—	—	—
	Rental income	3,674	4,437	4,852	2,445	—
	Repairs and maintenance	521	1,353	169	—	—
Fellow subsidiaries	Rental income	1,941	351	2,034	1,021	—
	Repairs and maintenance	88	—	—	—	—

On 31 December 2010, there was change in immediate holding company of Rexdale from Lafe Corporation Limited to One Synergy Limited as a result of share transfer. Lafe Corporation Limited ceased to be a related party as at 31 December 2010.

The above transactions were made at prices and term in the normal course of business as mutually agreed between the parties.

34. Contingent liabilities

On 15 April 2010, China Finance & Assets Management Limited ("CFAM") issued a writ of summons in the High Court of the Hong Kong Special Administrative Region Court of First Instance against Rexdale for the sum of HK$25,000,000 together with interest and costs (the "Claim"). The Claim is in relation to a cheque issued by Rexdale to CFAM which was returned unpaid when CFAM presented it for payment. CFAM failed to file its Statement of Claim to the Court by the due date of 17 May 2010. The directors of Rexdale believe the Claim has no merits and has instructed its legal counsel to apply to strike out the Claim in due course.

No legal claims provision was recognised for the above case. The liability at period-end was assessed by management of Rexdale by reviewing the Claim and discussing Rexdale's position with their legal advisers. The liability is inherently uncertain due to the existence or amount of claim being in dispute. On 12 May 2011, Rexdale filed a defense and counterclaim to the High Court.

Rexdale's legal counsel opines that the legal costs for both parties, on the assumption that Rexdale fails in its defense and counterclaim, and interests which the Court might award in favor of CFAM, Rexdale's estimated liability shall be around HK$32,000,000.

Based on the terms of the sales and purchase agreement of the equity interest in Rexdale dated at 31 December 2010, Lafe Corporation Limited, the company which previously owned the entire equity interest in Rexdale, has agreed to indemnify Rexdale and One Synergy Limited, the purchaser of the entire equity interest of Rexdale, against any and all losses, claims, damages, penalties, actions, demands, proceedings, judgment and costs arising from or in connection with the Claim, up to the sum of approximately HK$157,955,000.

The directors of Rexdale do not consider that the Claim has merit, and intend to contest it. No provision has been recognised in the Financial Information by the directors of Rexdale based on the indemnity raised by Lafe Corporation Limited.

35. Capital Management

Capital risk management

The primary objective of Rexdale's capital management is to safeguard Rexdale's ability to continue as a going concern, maintains a strong credit rating and healthy ratios in order to support its business and enhance shareholder value.

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

Rexdale monitors capital using gearing ratio, which is Rexdale's total borrowings over equity attributable to owners of Rexdale. The gearing ratios as at 31 December 2008, 2009 and 2010 and 30 June 2011 are as follows:

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank loans	115,471	97,364	80,283	176,944
Short term loan	—	—	40,000	—
Amounts due to fellow subsidiaries	20,929	35,967	—	—
Amount due to a related company	18	416	—	—
Net debt	136,418	133,747	120,283	176,944
Equity attributable to owners of Rexdale	136,582	148,281	189,088	299,494
Gearing ratio	100%	90%	64%	59%

36. Financial instruments

Categories of financial instruments

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	35,190	32,391	28,391	70,474
Financial liabilities				
Amortised cost	139,015	136,177	142,259	180,057

Financial risk management objectives and policies

Rexdale's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Rexdale's financial performance. These risks include credit risk, liquidity risk, interest rate risk, market risk and foreign currency risk.

(a) Credit risk

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

Rexdale's credit risk is primarily attributable to other receivables and amount due from immediate holding company. The amounts presented in the statement of financial position are net of allowances for doubtful debts, if any, estimated by Rexdale's management based on prior experience and their assessment of the current economic environment.

In order to minimise the credit risk, the management of Rexdale has delegated a team 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, Rexdale reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Rexdale consider that Rexdale's credit risk is significantly reduced.

(b) *Liquidity risk*

Rexdale manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due.

Rexdale closely monitors its exposure to liquidity risk by reviewing the cash position report monthly. Rexdale mainly relies on cash inflow from provision of management services to fund its operations. Rexdale has sufficient cash on hand and also has alternative plans to monitor liquidity risk should there be significant adverse changes on Rexdale's cash flow projections.

The following tables detail Rexdale'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 Rexdale can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate	**On demand or less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total contractual undiscounted cash flow**	**Total carrying amount**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2008								
Other payables and accruals	—	618	—	—	—	—	618	618
Rental deposits received	—	1,979	—	—	—	—	1,979	1,979
Amounts due to fellow subsidiaries	—	20,929	—	—	—	—	20,929	20,929
Amount due to a related company	—	18	—	—	—	—	18	18
Secured bank loans	3%	1,777	3,554	120,836	—	—	126,167	115,471
		25,321	3,554	120,836	—	—	149,711	139,015
At 31 December 2009								
Other payables and accruals	—	300	—	—	—	—	300	300
Rental deposits received	—	2,130	—	—	—	—	2,130	2,130
Amounts due to fellow subsidiaries	—	35,967	—	—	—	—	35,967	35,967
Amount due to a related company	—	416	—	—	—	—	416	416
Secured bank loans	3%	1,777	3,554	99,512	—	—	104,843	97,364
		40,590	3,554	99,512	—	—	143,656	136,177
At 31 December 2010								
Other payables and accruals	—	18,871	—	—	—	—	18,871	18,871
Rental deposits received	—	3,105	—	—	—	—	3,105	3,105
Secured bank loan	3%	1,777	3,554	79,965	—	—	85,296	80,283
Short term loans	21.6%	—	—	40,000	—	—	40,000	40,000
		23,753	3,554	119,965	—	—	147,272	142,259
At 30 June 2011								
Rental deposits received	—	3,113	—	—	—	—	3,113	3,113
Secured bank loans	3%	1,452	2,025	186,551	—	—	190,028	176,944
		4,565	2,025	186,551	—	—	193,141	180,057

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Rexdale's exposure to the risk of changes in market interest rates relates primarily to Rexdale's secured bank loans with floating interest rates.

It is estimated that a general increase or decrease of 10 basis points in interest rates, with all other variables held constant, would decrease or increase Rexdale's profit after tax and retained profits in approximately as follows:

	At 31 December			At 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Decrease or increase Rexdale's profit after tax and retained profits	115	97	80	177

(d) Market risk

Rexdale is exposed to market risk in respect of investment properties trading on spot market earning rates. The risk is reduced to the extent that the investment properties are placed on leases where the rental rates are fixed.

(e) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to change in foreign exchange rates.

Rexdale is not exposed to foreign currency risk as the majority of transactions are denominated in the functional currency of the operations. Rexdale does not hold or issue any derivative financial instruments for trading purposes or to hedge against fluctuations in foreign exchange rates.

(f) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows.

— The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

— The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

— The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of Rexdale consider that the carrying amounts of financial assets and financial liabilities recognised in the Financial Information approximate to their fair values.

37. Subsequent events

No significant events took place subsequent to 30 June 2011.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Rexdale in respect of any period subsequent to 30 June 2011 and no dividends or other distributions have been declared by Rexdale in respect of any period subsequent to 30 June 2011.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

A. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group for the six months ended 30 June 2011 and the period from 9 November 2010 (date of incorporation of the Target Company) to 31 December 2010.

(I) For the six months ended 30 June 2011

Results of operations

During the six months ended 30 June 2011, the Target Group recorded a revenue of HK$6,533,000 and a profit of HK$110,162,000. The substantial increase in profit as compared to the period ended 31 December 2010 was attributable to the recognition of a gain arising on change in fair value of investment properties of HK$110,000,000.

Liquidity and financial resources

During the six months ended 30 June 2011, the Target Group funded its operations through a combination of equity attributable to owners of the Target Company, secured bank loans, an amount due to the Vendor and the Promissory Note.

At 30 June 2011, the cash and cash equivalents of the Target Group amounted to HK$2,440,000 (31 December 2010: HK$428,000).

At 30 June 2011, the total borrowings of the Target Group amounted to HK$335,311,000 (31 December 2010: HK$278,406,000), comprising (i) secured bank loans of HK$176,944,000 which were interest bearing at 0.75% over HIBOR per annum, repayable by 174 consecutive installments and secured by the HSBC Charges and a personal guarantee provided by the ultimate beneficial owner of the Vendor; (ii) an amount due to the Vendor of HK$40,367,000 which was unsecured, interest free and repayable on demand and (iii) the Promissory Note of HK$118,000,000 payable to Lafe Corporation Limited which was interest free, secured by a charge over all the issued shares of Rexdale executed by One Synergy in favour of Lafe Corporation Limited and maturing on 31 December 2011. The gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of the Target Company was 296% (31 December 2010: 9,182%).

At 30 June 2011, the Target Group's net current liabilities and current ratio were HK$295,883,000 (31 December 2010: HK$296,125,000) and 12.57% (31 December 2010: 1.42%) respectively.

Material acquisitions and disposals

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

Future plan for material investments or capital assets

At 30 June 2011, the Target Group did not have any future plan for any material investment or capital assets.

Pledge of assets

At 30 June 2011,

(a) the Property with a fair value of HK$410,000,000 and all the issued shares of Rexdale were pledged to a bank to secure the secured bank loans granted to Rexdale; and

(b) all the issued shares of Rexdale were pledged to Lafe Corporation Limited to secure the Promissory Note of HK$118,000,000.

Commitments

At 30 June 2011, the Target Group had no material commitments.

Exchange risk and hedging

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

Contingent liabilities

At 30 June 2011, the Target Group had a contingent liability of HK$25,000,000 together with interest and costs relating to a claim brought by CFAM in the High Court Action No. 526 of 2010 against Rexdale for not paying to CFAM a service fee.

The management of Rexdale does not consider that the claim has merit, and intend to contest it. No provision has been recognised as any loss or liability of the claim will be fully indemnified by Lafe Corporation Limited.

Employees

No staff costs were incurred as the Target Group had no employees for the six months ended 30 June 2011.

(II) For the period from 9 November 2010 (date of incorporation of the Target Company) to 31 December 2010

Results of operations

No revenue was recorded during the period under review as One Synergy acquired Rexdale on 31 December 2010.

Profit for the period under review was HK$3,032,000. The recording of a profit was attributable to the recognition of a gain from a bargain purchase of a subsidiary of HK$3,213,000.

Liquidity and financial resources

During the period under review, the Target Group funded its operations through a combination of equity attributable to owners of the Target Company, amount due to a related company, secured bank loans, short term loan and two promissory notes payable to Lafe Corporation Limited.

At 31 December 2010, the cash and cash equivalents of the Target Group amounted to HK$428,000.

At 31 December 2010, the total borrowings of the Target Group amounted to HK$278,406,000, comprising (i) an amount due to a related company of HK$10,168,000 which was unsecured, interest free and repayable on demand; (ii) secured bank loans of HK$80,283,000 which were interest bearing at prime rate minus 2.25% per annum, repayable by 84 consecutive installments commencing on 6 December 2007 and secured by a legal charge over the Property, total assignment of insurance proceeds of the Property and a bank deposit of HK$418,795; (iii) short term loan of HK$40,000,000 which was interest bearing at 21.60% per annum, secured by a second legal charge over the Property and guarantees given by the then immediate holding company and the then directors of Rexdale and repayable on 9 June 2011; and (iv) two promissory notes in an aggregate principal amount of HK$147,955,000 payable to Lafe Corporation Limited which were interest free, secured by a charge over all the issued shares of Rexdale by One Synergy in favour of Lafe Corporation Limited. The first promissory note of HK$118,000,000 maturing on 31 December 2011 and the second promissory note of HK$29,955,000 maturing on 14 January 2011. The gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of the Target Company was 9,182%.

At 31 December 2010, the Target Group's net current liabilities and current ratio were HK$296,125,000 and 1.42% respectively.

Material acquisitions and disposals

On 31 December 2010, One Synergy acquired the entire issued share capital of Rexdale at a consideration of HK$157,955,000. The acquisition of the entire issued share capital of Rexdale was financed by cash advanced from a related company and the two promissory notes in an aggregate principal amount of HK$147,955,000 payable to Lafe Corporation Limited.

There is no material disposal by the Target Group during the period under review.

Future plan for material investments or capital assets

At 31 December 2010, the Target Group did not have any future plan for any material investment or capital assets, other than the acquisition of the entire issued share capital of Rexdale.

Pledge of assets

At 31 December 2010,

(a) the Property with a fair value of HK$300,000,000 and a bank deposit of HK$418,795 were pledged to a bank to secure the secured bank loans granted to Rexdale; and

(b) all the issued shares of Rexdale were pledged to Lafe Corporation Limited to secure the two promissory notes in an aggregate amount of HK$147,955,000.

Commitments

At 31 December 2010, the Target Group had no material commitments.

Exchange risk and hedging

As the majority of the Target Group's transactions, assets and liabilities are denominated in Hong Kong dollars, no financial instruments for hedging purposes have been used by the Target Group during the period under review.

Contingent liabilities

At 31 December 2010, the Target Group had a contingent liability of HK$25,000,000 together with interest and costs relating to a claim brought by CFAM in the High Court Action No. 526 of 2010 against Rexdale for not paying to CFAM a service fee.

The management of Rexdale does not consider that the claim has merit, and intend to contest it. No provision has been recognised as any loss or liability of the claim will be fully indemnified by Lafe Corporation Limited.

Employees

No staff costs were incurred as the Target Group had no employees for the year ended 31 December 2010.

B. MANAGEMENT DISCUSSION AND ANALYSIS OF REXDALE

Set out below is the management discussion and analysis of Rexdale for the six months ended 30 June 2011 and each of the three years ended 31 December 2008, 2009 and 2010.

(I) For the six months ended 30 June 2011

Results of operations

During the six months ended 30 June 2011, Rexdale recorded a revenue of HK$6,533,000.

Profit for the six months ended 30 June 2011 amounted to HK$110,406,000 compared to the loss of HK$2,268,000 for the same period of previous year. This increase was mainly attributable to the recognition of a gain arising on change in fair value of investment properties of HK$110,000,000.

Liquidity and financial resources

During the six months ended 30 June 2011, Rexdale funded its operations through equity attributable to owners of Rexdale and secured bank loans.

At 30 June 2011, the cash and cash equivalents of Rexdale amounted to HK$2,440,000 (31 December 2010: HK$428,000).

At 30 June 2011, the total borrowings of Rexdale amounted to HK$176,944,000, representing secured bank loans of HK$176,944,000 which were interest bearing at 0.75% over HIBOR per annum, repayable by 174 consecutive installments and secured by the HSBC Charges and a personal guarantee provided by the ultimate beneficial owner of the Vendor. The gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of Rexdale was 59% (31 December 2010: 64%).

At 30 June 2011, Rexdale's net current liabilities and current ratio were HK$109,583,000 and 39.14% respectively.

Material acquisitions and disposals

During the six months ended 30 June 2011, Rexdale had no material acquisitions or disposals.

Future plan for material investments or capital assets

At 30 June 2011, Rexdale did not have any future plan for any material investment or capital assets.

Pledge of assets

At 30 June 2011, the Property with a fair value of HK$410,000,000 was pledged to a bank to secure the secured bank loans granted to Rexdale.

Commitments

At 30 June 2011, Rexdale had no material commitments.

Exchange risk and hedging

As the majority of Rexdale's transactions, assets and liabilities are denominated in Hong Kong dollars, no financial instruments for hedging purposes have been used by Rexdale during the six months ended 30 June 2011.

Contingent liabilities

At 30 June 2011, Rexdale had a contingent liability of HK$25,000,000 together with interest and costs relating to a claim brought by CFAM in the High Court Action No. 526 of 2010 against Rexdale for not paying to CFAM a service fee.

The management of Rexdale does not consider that the claim has merit, and intend to contest it. No provision has been recognised as any loss or liability of the claim will be fully indemnified by Lafe Corporation Limited.

Employees

No staff costs were incurred as Rexdale had no employees for the six months ended 30 June 2011.

(II) For the year ended 31 December 2010

Results of operations

During the year ended 31 December 2010, Rexdale recorded a revenue of HK$7,352,000.

Profit for the year ended 31 December 2010 amounted to HK$40,807,000 compared to HK$11,699,000 for the previous year. This increase was mainly attributable to the recognition of a gain arising on change in fair value of investment properties of HK$45,000,000.

Liquidity and financial resources

During the year ended 31 December 2010, Rexdale funded its operations through equity attributable to owners of Rexdale, secured bank loans and short term loan.

At 31 December 2010, the cash and cash equivalents of Rexdale amounted to HK$428,000 (31 December 2009: HK$422,000).

At 31 December 2010, the total borrowings of Rexdale amounted to HK$120,283,000, comprising of (i) secured bank loans of HK$80,283,000 which were interest bearing at prime rate minus 2.25% per annum, repayable by 84 consecutive installments commencing on 6 December 2007 and secured by a legal charge over the Property, total assignment of insurance proceeds of the Property and a bank deposit of HK$418,795; and (ii) short term loan of HK$40,000,000 which was interest bearing at 21.60% per annum, secured by a second legal charge over the Property and guarantees given by the then immediate holding company and the then directors of Rexdale and repayable on 9 June 2011. The gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of Rexdale was 64% (31 December 2009: 90%).

At 31 December 2010, Rexdale's net current liabilities and current ratio were HK$110,069,000 (31 December 2009: HK$105,046,000 and 22.63% (31 December 2009: 23.57%) respectively.

Material acquisitions and disposals

During the year ended 31 December 2010, Rexdale had no material acquisitions or disposals.

Future plan for material investments or capital assets

At 31 December 2010, Rexdale did not have any future plan for any material investment or capital assets.

Pledge of assets

At 31 December 2010, the Property with a fair value of HK$300,000,000 and a bank deposit of HK$418,795 were pledged to secure the secured bank loans and the short term loan granted to Rexdale.

Commitments

At 31 December 2010, Rexdale had no material commitments.

Exchange risk and hedging

As the majority of Rexdale's transactions, assets and liabilities are denominated in Hong Kong dollars, no financial instruments for hedging purposes have been used by Rexdale during the year ended 31 December 2010.

Contingent liabilities

At 31 December 2010, Rexdale had a contingent liability of HK$25,000,000 together with interest and costs relating to a claim brought by CFAM in the High Court Action No. 526 of 2010 against Rexdale for not paying to CFAM a service fee.

The management of Rexdale does not consider that the claim has merit, and intend to contest it. No provision has been recognised as any loss or liability of the claim will be fully indemnified by Lafe Corporation Limited.

Employees and remuneration policy

During the period from 1 June 2010 to 30 November 2010, three employees were employed by Rexdale. Staff costs (including directors' remuneration) amounted to HK$244,000 for the year ended 31 December 2010. Employees were remunerated according to their performance and work experience. In addition to basic salaries, contributions to retirement benefit scheme and discretionary bonus, staff benefit includes medical scheme.

(III) For the year ended 31 December 2009

Results of operations

During the year ended 31 December 2009, Rexdale recorded a revenue of HK$6,597,000.

Profit for the year ended 31 December 2009 amounted to HK$11,699,000 compared to HK$15,421,000 for the previous year. This decrease was mainly attributable to a HK$4,170,000 decrease in gain arising on change in fair value of investment properties recognised in the year ended 31 December 2009.

Liquidity and financial resources

During the year ended 31 December 2009, Rexdale funded its operations through equity attributable to owners of Rexdale, secured bank loans and amounts due to fellow subsidiaries and a related company.

At 31 December 2009, the cash and cash equivalents of Rexdale amounted to HK$422,000 (31 December 2008: HK$424,000).

At 31 December 2009, the total borrowings of Rexdale amounted to HK$133,747,000, comprising of (i) secured bank loans of HK$97,364,000 which were interest bearing at prime rate minus 2.25% per annum, repayable by 84 consecutive installments commencing on 6 December 2007 and secured by a legal charge over the Property and total assignment of insurance proceeds of the Property; (ii) amounts due to fellow subsidiaries of HK$35,967,000 which were interest free, unsecured and repayable on demand and (iii) an amount due to a related company of HK$416,000 which was interest free, unsecured and repayable on demand. The gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of Rexdale was 90% (31 December 2008: 100%).

At 31 December 2009, Rexdale's net current liabilities and current ratio were HK$105,046,000 (31 December 2008: HK$105,335,000) and 23.57% (31 December 2008: 25.04%) respectively.

Material acquisitions and disposals

During the year ended 31 December 2009, Rexdale had no material acquisitions or disposals.

Future plan for material investments or capital assets

At 31 December 2009, Rexdale did not have any future plan for any material investment or capital assets.

Pledge of assets

At 31 December 2009, the Property with a fair value of HK$255,000,000 was pledged to secure the secured bank loans granted to Rexdale.

Commitments

At 31 December 2009, Rexdale had no material commitments.

Exchange risk and hedging

As the majority of Rexdale's transactions, assets and liabilities are denominated in Hong Kong dollars, no financial instruments for hedging purposes have been used by Rexdale during the year ended 31 December 2009.

Contingent liabilities

At 31 December 2009, Rexdale had no material contingent liabilities.

Employees

No staff costs were incurred as Rexdale had no employees for the year ended 31 December 2009.

(VI) For the year ended 31 December 2008

Results of operations

During the year ended 31 December 2008, Rexdale recorded a revenue of HK$6,750,000.

Profit for the year ended 31 December 2008 amounted to HK$15,421,000.

Liquidity and financial resources

During the year ended 31 December 2008, Rexdale funded its operations through equity attributable to owners of Rexdale, secured bank loans and amounts due to fellow subsidiaries and a related company.

At 31 December 2008, the cash and cash equivalents of Rexdale amounted to HK$424,000.

At 31 December 2008, the total borrowings of Rexdale amounted to HK$136,418,000, comprising of (i) secured bank loans of HK$115,471,000 which were interest bearing at prime rate minus 2.25% per annum, repayable by 84 consecutive installments commencing on 6 December 2007 and secured by a legal charge over the Property and total assignment of insurance proceeds of the Property; (ii) amounts due to fellow subsidiaries of HK$20,929,000 which were interest free, unsecured and repayable on demand and (iii) an amount due to a related company of HK$18,000 which was interest free, unsecured and repayable on demand. The gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of Rexdale was 100%.

At 31 December 2008, Rexdale's net current liabilities and current ratio were HK$105,335,000 and 25.04% respectively.

Material acquisitions and disposals

During the year ended 31 December 2008, Rexdale had no material acquisitions or disposals.

Future plan for material investments or capital assets

At 31 December 2008, Rexdale did not have any future plan for any material investment or capital assets.

Pledge of assets

At 31 December 2008, the Property with a fair value of HK$243,440,000 was pledged to secure the secured bank loans granted to Rexdale.

Commitments

At 31 December 2008, Rexdale had no material commitments.

Exchange risk and hedging

As the majority of Rexdale's transactions, assets and liabilities are denominated in Hong Kong dollars, no financial instruments for hedging purposes have been used by Rexdale during the year ended 31 December 2008.

Contingent liabilities

At 31 December 2008, Rexdale had no material contingent liabilities.

Employees

No staff costs were incurred as Rexdale had no employees for the year ended 31 December 2008.

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

The accompanying unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated income statement, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of Eternity Investment Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") (the "Unaudited Pro Forma Financial Information") have been prepared to illustrate the effect of the proposed acquisition of the entire issued share capital of Adelio Holdings Limited ("Adelio") together with its subsidiaries, namely One Synergy Limited ("One Synergy") and Rexdale Investment Limited ("Rexdale") (collectively referred to as the "Adelio Group") (the "Acquisition") might have affected the financial information of the Group. The Group immediately after the completion of the Acquisition is referred to as the "Enlarged Group".

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared on the assumptions that the Acquisition has been completed on 31 December 2010 in the case of the unaudited pro forma consolidated statement of financial position, and on 1 January 2010 in the case of the unaudited pro forma consolidated income statement, unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group is based on certain assumptions, estimates, uncertainties and other currently available financial information, and is provided for illustrative purposes only because of its hypothetical nature, it may not give a true picture of the actual financial position and financial results of the Enlarged Group's operations that would have been attained had the Acquisition actually occurred on the dates indicated herein. Further, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position or results of operations.

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

The following is the unaudited pro forma consolidated statement of financial position of the Enlarged Group, assuming that the Acquisition has been completed on 31 December 2010. The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2010, which has been extracted from the annual report of the Group for the year ended 31 December 2010 and the audited consolidated statement of financial position of the Adelio Group as at 30 June 2011 as set out in Appendix IIIA to the circular. Such information is adjusted to reflect the effect of the Acquisition.

I. *Unaudited pro forma consolidated statement of financial position*

	The Group at 31 December 2010	The Adelio Group at 30 June 2011	Sub-total	Pro forma adjustments	Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
ASSETS						
Non-current assets						
Investment properties	—	410,000	410,000			410,000
Property, plant and equipment	1,441	—	1,441			1,441
Goodwill	—	—	—	28,561	*3*	28,561
Intangible assets	334,681	—	334,681			334,681
Available-for-sale financial assets	53,892	—	53,892			53,892
	390,014	410,000	800,014			828,575
Current assets						
Trade receivables	5,859	—	5,859			5,859
Deposits and prepayments	2,456	369	2,825			2,825
Amount due from the Vendor	—	39,732	39,732	(39,732)	*6*	—
Financial assets at fair value through profit or loss	9,418	—	9,418			9,418
Tax recoverable	32	—	32			32
				(267,600)	*1*	
Cash and cash equivalents	989,625	2,440	992,065	(1,000)	*4*	723,465
	1,007,390	42,541	1,049,931			741,599
Total assets	1,397,404	452,541	1,849,945			1,570,174

	The Group at 31 December 2010	The Adelio Group at 30 June 2011	Sub-total	Pro forma adjustments	Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
EQUITY						
Capital and reserves attributable to owners of the Company						
Share capital	11,021	—	11,021	—	*2*	11,021
				(113,194)	*2*	
Reserves	1,333,642	113,194	1,446,836	(1,000)	*4*	1,332,642
Total equity	1,344,663	113,194	1,457,857			1,343,663
LIABILITIES						
Current liabilities						
Accruals and other payables	10,872	—	10,872			10,872
Deposits received	477	3,113	3,590			3,590
Amount due to the Vendor	—	40,367	40,367	(40,367)	*6*	—
Secured bank loans	—	176,944	176,944	(176,944)	*3*	—
Promissory notes	—	118,000	118,000			118,000
Tax payable	1,230	—	1,230			1,230
	12,579	338,424	351,003			133,692
Non-current liabilities						
Deferred taxation	40,162	923	41,085	51,734	*5*	92,819
Total liabilities	52,741	339,347	392,088			226,511
Total equity and liabilities	1,397,404	452,541	1,849,945			1,570,174
Net current assets/(liabilities)	994,811	(295,883)	698,928			607,907
Total assets less current liabilities	1,384,825	114,117	1,498,942			1,436,482

II. Notes to the unaudited pro forma consolidated statement of financial position

1. The pro forma adjustment represents the cash consideration of HK$267,600,000 to be paid for the Acquisition. For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, it is assumed that the date of the completion would be 31 December 2010.

2. The pro forma adjustment represents the elimination of pre-acquisition reserve and share capital of the subsidiaries of Adelio and Adelio of approximately HK$113,194,000 and HK$8 respectively upon the consolidation of the Unaudited Pro Forma Financial Information of the Enlarged Group.

3. The pro forma adjustment represents the calculation of goodwill under the Acquisition in accordance with Hong Kong Financial Reporting Standard 3 Business Combinations (Revised 2008) to account for the Acquisition. The calculation is as follows:

	At 30 June 2011
	HK$'000
Consolidated net assets of the Adelio Group	113,194
Repayment of secured bank loans granted by HSBC	176,944
Reverse the operating results of early adoption HKAS 12 *(see Note 5 below)*	(51,734)
Waiver of net amounts due to/from the Vendor *(see Note 6 below)*	635
	239,039
Goodwill	28,561
Total consideration	267,600

For the purpose of the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the fair values of the identifiable assets and liabilities of the Adelio Group are assumed to be equal to their carrying amounts as at 30 June 2011. The fair values of the assets and liabilities at the completion date of the Acquisition will be assessed upon the completion of the Acquisition and will be different, and accordingly, the amount of goodwill to be recognised is subject to change.

For the purpose of the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group in accordance with the requirements of Hong Kong Accounting Standard 36 Impairment of Assets, the directors of the Company consider that no impairment is required in respect of the goodwill arising from the Acquisition taking into account the business potential of the Adelio Group and the other factors as disclosed in the section headed "Reasons for the Acquisition" in the "Letter from the Board" in the circular. After the completion of the Acquisition, the Enlarged Group will perform annual impairment test for the cash-generating unit to which the goodwill has been allocated in accordance with the Company's accounting policies and the requirements of Hong Kong Accounting Standard 36, and the Company's auditors will perform audit procedures thereon in respect of their audit of the consolidated financial statements of the Enlarged Group for the next financial year in accordance with the requirements of Hong Kong Accounting Standard 36.

4. The pro forma adjustment represents the estimated professional fees and expenses attributable to the Acquisition amounting to approximately HK$1,000,000.

5. In accordance with the amendments to Hong Kong Accounting Standard 12 ("HKAS 12") Deferred Tax: Recovery of Underlying Assets, which introduces a presumption that an investment property measured at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Prior to the amendments, deferred taxation on investment property at fair value is measured to reflect the tax consequences of recovering the carrying amounts of investment property through use. Therefore, based on the amendments, the Adelio Group's investment properties do not have to provide deferred tax on fair value changes arising from revaluation of investment properties or arising from a business combination, unless the presumption is rebutted. This change in accounting policy is effective for annual periods beginning on or after 1 January 2012.

   The directors of Adelio have early adopted the amendments to HKAS 12, while the directors of the Company have not early adopted the amendments yet. Therefore, it is likely to reverse the adoption result in a restatement of the Adelio Group's results of operations and financial position by increasing the Adelio Group's deferred tax liabilities as at 30 June 2011 by approximately HK$51,734,000.

6. The pro forma adjustment represents the waiver of the outstanding balances of amounts due to/from the Vendor upon the completion of the Acquisition.

7. 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. The effects of the open offer are not included in the Unaudited Pro Forma Financial Information of the Enlarge Group as they are not directly related to the Acquisition.

(B) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group

The following is the unaudited pro forma consolidated income statement of the Enlarged Group, assuming that the Acquisition has been completed on 1 January 2010. The unaudited pro forma consolidated income statement of the Enlarged Group is prepared based on the audited consolidated income statement of the Group for the year ended 31 December 2010, which has been extracted from the annual report of the Group for the year ended 31 December 2010 and the audited consolidated income statement of the Adelio Group, for the year ended 31 December 2010 as set out in Appendix IIIB to the circular. Such information is adjusted to reflect the effect of the Acquisition.

I. *Unaudited pro forma consolidated income statement*

	The Group for the year ended 31 December 2010	The Adelio Group for the year ended 31 December 2010	Sub-total	Pro forma adjustments	Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Turnover	78,200	—	78,200	7,352	*11*	85,552
Cost of sales	(632)	—	(632)			(632)
Gross profit	77,568	—	77,568			84,920
Other revenue and other income	17,346	3,213	20,559	1	*11*	20,560
Gain arising on change in fair value of investment properties	—	—	—	45,000	*11*	45,000
				(4,530)	*11*	
Administrative expenses	(14,366)	(181)	(14,547)	(1,000)	*8*	(20,077)
Impairment loss recognised in respect of intangible assets	(4,856)	—	(4,856)			(4,856)
Loss on losing significant influence of an associate	(21,028)	—	(21,028)			(21,028)
Loss on deemed disposal of an associate	(537,615)	—	(537,615)			(537,615)
Share of results of associates	(9,371)	—	(9,371)			(9,371)
Gain on early repayment of promissory note receivable	64,627	—	64,627			64,627
Gain on early repayment of convertible notes receivable	75,962	—	75,962			75,962
Gain on disposal of available-for-sale financial assets	7,579	—	7,579			7,579
Loss arising on change in fair value of available-for-sale financial assets	(14,280)	—	(14,280)			(14,280)
Gain arising on change in fair value of financial assets at fair value through profit or loss	4,918	—	4,918			4,918
Gain arising on change in fair value of conversion options embedded in convertible notes receivable	1,525	—	1,525			1,525
Loss on early redemption of convertible notes payable	(1,062)	—	(1,062)			(1,062)

	The Group for the year ended 31 December 2010	The Adelio Group for the year ended 31 December 2010	Sub-total	Pro forma adjustments	Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
(Loss)/profit from operations	(353,053)	3,032	(350,021)			(303,198)
Financial costs	(3,041)	—	(3,041)	(7,846)	*11*	(10,887)
(Loss)/profit before taxation	(356,094)	3,032	(353,062)			(314,085)
				830	*11*	
Income tax (expense)/credit	(363)	—	(363)	(7,425)	*9*	(6,958)
(Loss)/profit for the year	(356,457)	3,032	(353,425)			(321,043)
(Loss)/profit attributable to owners of the Company	(356,457)	3,032	(353,425)			(321,043)

II. Notes to the unaudited pro forma consolidated income statement

8. The pro forma adjustment represents the estimated professional fees and expenses attributable to the Acquisition amounting to approximately HK$1,000,000. The adjustment has no continuing financial effect.

9. In accordance with the amendments to HKAS 12, which introduces a presumption that an investment property measured at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Prior to the amendments, deferred taxation on investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of investment properties through use. Therefore, based on the amendments, Rexdale's investment properties do not have to provide deferred tax on fair value changes arising from revaluation of investment properties or arising from a business combination, unless the presumption is rebutted. This change in accounting policy is effective for annual periods beginning on or after 1 January 2012.

   The directors of Rexdale have adopted the amendments to HKAS 12, while the directors of the Company have not adopted the amendments yet. Therefore, it is likely to reverse the adoption result in a restatement of Rexdale's results of operations and financial position by increasing Rexdale's deferred tax expense for the year ended 31 December 2010 by approximately HK$7,425,000. The adjustment has no continuing financial effect.

10. As if the Acquisition was completed on 1 January 2010, there would be a goodwill arising from the Acquisition.

For the purpose of the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group in accordance with the requirements of Hong Kong Accounting Standard 36 "Impairment of Assets", the directors of the Company consider that no impairment is required in respect of the goodwill arising from the Acquisition taking into account the business potential of the Adelio Group and other factors as disclosed in the section headed "Reasons for the Acquisition" in the "Letter from the Board" in the circular. The reporting accountants concurred with the directors' assessment of impairment of goodwill in the Unaudited Pro Forma Financial Information of the Enlarged Group and adoption of consistent accounting policies and principal assumptions in the preparation of the consolidated financial statements of the Enlarged Group after the completion of the Acquisition. After the completion of the Acquisition, the Enlarged Group will perform annual impairment test for the cash-generating unit to which the goodwill has been allocated in accordance with the Company's accounting policies and the requirements of Hong Kong Accounting Standard 36 "Impairment of Assets", and the Company's auditors will perform audit procedures thereon in respect of their audit of the consolidated financial statements of the Enlarged Group for the next financial year in accordance with the requirements of Hong Kong Accounting Standards 36 "Impairment of Assets".

11. As we are assuming that the Acquisition has been completed on 1 January 2010, the Adelio Group cannot show the true picture of its principle business since the acquisition of Rexdale from One Synergy was completed on 31 December 2010. The pro forma adjustment represents the effect of income statement of Rexdale during the year ended 31 December 2010. The corresponding figures were extracted from Appendix IIIB to the circular. The adjustment has continuing financial effect.

(C) Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group

The following is the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group, assuming that the Acquisition has been completed on 1 January 2010. The unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group is prepared based on the audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2010, which has been extracted from the annual report of the Group for the year ended 31 December 2010 and the audited consolidated statement of comprehensive income of the Adelio Group, for the year ended 31 December 2010 as set out in Appendix IIIB to the circular. Such information is adjusted to reflect the effect of the Acquisition.

I. Unaudited pro forma consolidated statement of comprehensive income

	The Group for the year ended 31 December 2010	The Adelio Group for the year ended 31 December 2010	Sub-total	Pro forma adjustments	Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
				40,807	*11*	
				(1,000)	*8*	
(Loss)/profit for the year	(356,457)	3,032	(353,425)	(7,425)	*9*	(321,043)
Other comprehensive loss for the year:						
Share of exchange reserve change of associates	(83)	–	(83)			(83)
Total comprehensive (loss)/income for the year	(356,540)	3,032	(353,508)			(321,126)
Attributable to owners of the Company	(356,540)	3,032	(353,508)			(321,126)

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

The following is the unaudited pro forma consolidated statement of cash flows of the Enlarged Group, assuming that the Acquisition has been completed on 1 January 2010. The unaudited pro forma consolidated statement of cash flows of the Enlarged Group is prepared based on the audited consolidated statement of cash flows of the Group for the year ended 31 December 2010, which has been extracted from the annual report of the Group for the year ended 31 December 2010 and the audited consolidated statement of cash flows of the Adelio Group, for the year ended 31 December 2010 as set out in Appendix IIIB to the circular. Such information is adjusted to reflect the effect of the Acquisition.

I. *Unaudited pro forma consolidated statement of cash flows*

	The Group for the year ended 31 December 2010 *HK$'000*	The Adelio Group for the year ended 31 December 2010 *HK$'000*	Sub-total *HK$'000*	Pro forma adjustments *HK$'000*	*Notes*	The Enlarged Group *HK$'000*
Operating activities						
				39,977	*13*	
(Loss)/profit before taxation	(356,094)	3,032	(353,062)	(1,000)	*8*	(314,085)
Adjustments for:						
Depreciation of property, plant and equipment	423	—	423			423
Finance costs	3,041	—	3,041	7,846	*13*	10,887
Gain on early repayment of promissory note receivable	(64,627)	—	(64,627)			(64,627)
Gain on early repayment of convertible notes receivable	(75,962)	—	(75,962)			(75,962)
Gain on disposal of available-for-sale financial assets	(7,579)	—	(7,579)			(7,579)
Interest income	(7,039)	—	(7,039)			(7,039)
Impairment loss recognised in respect of intangible assets	4,856	—	4,856			4,856
Gain arising on change in fair value of investment properties	—	—	—	(45,000)	*13*	(45,000)
Gain on bargain purchase	—	(3,213)	(3,213)			(3,213)
Loss arising on change in fair value of available-for-sale financial assets	14,280	—	14,280			14,280
Gain arising on change in fair value of conversion options embedded in conversion notes receivable	(1,525)	—	(1,525)			(1,525)
Gain arising on change value of financial assets at fair value through profit or loss	(4,918)	—	(4,918)			(4,918)
Loss on early redemption of convertible notes payable	1,062	—	1,062			1,062
Loss on losing significant influence of an associate	21,028	—	21,028			21,028
Loss on deemed disposal of an associate	537,615	—	537,615			537,615
Share of results of associates	9,371	—	9,371			9,371
Share-based payment expenses	2,310	—	2,310			2,310

	The Group for the year ended 31 December 2010	The Adelio Group for the year ended 31 December 2010	Sub-total	Pro forma adjustments	Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Operating cash flows before movements in working capital	76,242	(181)	76,061			77,884
Decrease in trade receivables	163	—	163			163
Increase in deposits, prepayments and				(3,799)	*13*	
other receivables	(1,441)	—	(1,441)	4,006	*12*	(1,234)
Decrease in amount due from immediate				3,077	*13*	
holding company	—	—	—	(3,077)	*12*	—
Decrease in amounts due from fellow				861	*13*	
subsidiaries	—	—	—	(861)	*12*	—
Decrease in amounts due from related				68	*13*	
companies	—	—	—	(68)	*12*	—
Increase in deposits received	—	—	—	975	*13*	975
Increase/(decrease) in accruals and other				18,571	*13*	
payables	672	13	685	(36,383)	*12*	(17,127)
Decrease in amounts due to a related				(416)	*13*	
company	—	—	—	416	*12*	—
Decrease in amounts due to fellow				(35,967)	*13*	
subsidiaries	—	10,168	10,168	35,967	*12*	10,168
Cash generated from/(used in) operations	75,636	10,000	85,636			70,829
Tax paid	(64)	—	(64)	(1,260)	*13*	(1,324)
Net cash generated from/(used in) operating activities	75,572	10,000	85,572			69,505
Investing activities						
Interest received	2,992	—	2,992			2,992
Interest paid	(2,042)	—	(2,042)	(7,846)	*13*	(9,888)
Repayment from loan to an associate	155,536	—	155,536			155,536
Repayment of amount due from an associate	5,103	—	5,103			5,103
Repayment of convertible notes payable	(72,000)	—	(72,000)			(72,000)
Proceeds from disposal of available-for-sale financial assets	21,572	—	21,572			21,572
Proceeds from disposal of financial assets at fair value through profit or loss	5,931	—	5,931			5,931

	The Group for the year ended 31 December 2010	The Adelio Group for the year ended 31 December 2010	Sub-total	Pro forma adjustments	Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Acquisition of a subsidiary	—	(10,000)	(10,000)	(267,596)	*14*	(277,596)
Acquisition of financial asset at fair value through profit or loss	(6,453)	—	(6,453)			(6,453)
Purchase of property, plant and equipment	(26)	—	(26)			(26)
Decrease in pledged time deposit	—	—	—	(1)	*13*	(1)
Net cash generated from/(used in) investing activities	110,613	(10,000)	100,613			(174,830)
Financing activities						
Issuance of new shares, rights shares and exercise of share options	360,701	—	360,701			360,701
Repayment of promissory note receivable	100,000	—	100,000			100,000
Repayment of convertible notes receivable	100,000	—	100,000			100,000
Repayment of secured bank loans	—	—	—	(17,081)	*13*	(17,081)
Proceeds from short term loan	—	—	—	40,000	*13*	40,000
Dividend paid to owners of the Company	(33,063)	—	(33,063)			(33,063)
Net cash generated from financing activities	527,638	—	527,638			550,557
Net increase in cash and cash equivalents	713,823	—	713,823			445,232
Cash and cash equivalents at beginning				4	*13*	
of year	275,802	—	275,802	(4)	*14*	275,802
Cash and cash equivalents at end of year	989,625	—	989,625			721,034
Analysis of the balances of cash and cash				428	*13*	
equivalents				(1,000)	*8*	
Time deposit, bank balances and cash	989,625	—	989,625	(267,600)	*14*	721,453
Less: time deposits	—	—	—	(419)	*13*	(419)
	989,625	—	989,634			721,034

II. Notes to the unaudited pro forma consolidated statement of cash flows

12. Assuming that the Acquisition has been completed on 1 January 2010, there was no longer being inter-company relationship with prior related parties of Rexdale. The pro forma adjustment represents the reallocation of amounts due from/to related companies to other receivables/payables. The adjustment has no continuing financial effect.

13. As we are assuming that the Acquisition has been completed on 1 January 2010, the Adelio Group cannot show the true picture of its principle business since the acquisition of Rexdale from One Synergy was completed on 31 December 2010. The pro forma adjustment represents the effect of cash flows of Rexdale during the year ended 31 December 2010. The corresponding figures were extracted from Appendix IIIB to the circular. The adjustment has continuing financial effect.

14. The pro forma adjustment represents the net cash outflow as if the Acquisition has been completed on 1 January 2010:

	HK$'000
Cash consideration	267,600
Cash and cash equivalents at 1 January 2010	(4)
	267,596

The adjustment has no continuing financial effect.

The following is the text of the report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this appendix.

HLB 國衛會計師事務所 Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

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

23 November 2011

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

Dear Sirs,

We report on the unaudited pro forma financial information of Eternity Investment Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), and Adelio Holdings Limited ("Adelio") and its subsidiaries (together with the Group hereinafter referred to as the "Enlarged Group") set out in Appendix V on pages 170 to 182 of the circular of the Company dated 23 November 2011 (the "Circular") under the headings of "Unaudited Pro Forma Financial Information of the Enlarged Group" (the "Unaudited Pro Forma Financial Information") in connection with the proposed acquisition of the entire issued share capital of the Adelio (the "Acquisition"). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisition, which will result in the formation of the Enlarged Group, might have affected the relevant financial information presented for inclusion in Appendix V of the Circular.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare 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" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

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

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

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions made by the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

— the financial position of the Enlarged Group as at 31 December 2010 or any future date; or

— the results and cash flows of the Enlarged Group for the year ended 31 December 2010 or any future periods.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company 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 Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

The following is the text of a property valuation report prepared for the purpose of incorporation in this Circular received from Norton Appraisals Limited, an independent valuer, in connection with its valuation as at 31 August 2011.

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

23 November 2011

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

Dear Sirs,

Re: Valuation of Factories A and B on the 1st Floor and the Flat Roof, The whole of 6th-12th Floors, Roof, External Walls, Lavatories A and B and Carpark Nos. 1-3 and 14-21 on Ground Floor, Lucky (Kwun Tong) Industrial Building, Nos. 398-402 Kwun Tong Road (formerly No. 95 How Ming Street), Kwun Tong, Kowloon

In accordance with the instruction from Eternity Investment Limited (hereinafter referred to as "the Company") for us to value the above captioned property interest in the Hong Kong Special Administrative Region (hereinafter referred to as "Hong Kong"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of value of the property interest as at 31 August 2011 (hereinafter referred to as the "Date of Valuation").

It is our understanding that this valuation document is to be used for the incorporation in a public circular.

This letter, forming part of our valuation report, identifies the property interest being valued, explains the basis and methodology of our valuation, and lists out the assumptions and title investigation, which we have made in the course of our valuation, as well as the limiting conditions.

Our valuation is our opinion of market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interest which is held for investment by the Company in Hong Kong, we have adopted Investment Approach by taking into account the current rents passing and the reversionary income potential of the tenancies. For the portion of the property which is currently vacant, we have adopted Direct Comparison Approach assuming sale of the property interest in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the value of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

In valuing the property interest located in Hong Kong, the Government lease of which has expired before 30 June 1997, we have taken into account the provisions contained in the Basic Law of the Hong Kong Special Administrative Region and the New Territories Leases (Extension) Ordinance 1988 that such lease has been extended without any additional payment of premium until 30 June 2047 and that an annual rent equivalent to three per cent of the rateable value of the property will be charged from the date of extension.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have caused sampling title searches to be made at the relevant Land Registry in respect of the property interest. However, we have not searched the original documents to verify the ownership or to ascertain the existence of any amendments.

We have inspected the exterior and, where possible, the interior of the property. In the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the property is free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out on-site measurements to verify the correctness of the site and floor area of the property but have assumed that the site and floor area shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached valuation certificate are based on information contained in the documents provided to us and are, therefore, only approximations.

We have relied to a considerable extent on the information provided by the Company and have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, floor area and all other relevant materials regarding the property interest.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the property, we have complied with all the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

Unless otherwise stated, all monetary amounts stated in our valuation certificate are in Hong Kong Dollars.

We hereby confirm that we have neither present nor prospective interests in the Company, the property interest or the value reported herein.

Our Valuation Certificate is enclosed herewith.

Yours faithfully,
For and on behalf of
Norton Appraisals Limited

Nick C. L. Kung *MRICS, MHKIS, RPS (G.P.)*
Director

Note: Mr. Nick C. L. Kung is a Registered Professional Surveyor who has more than 21 years' experience in the valuation of properties in Hong Kong and the PRC.

VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Capital value in its existing state as at 31 August 2011
Factories A and B on the 1st Floor and the Flat Roof, The whole of 6th-12th Floors, Roof, External Walls, Lavatories A and B and Carpark Nos. 1-3 and 14-21 on Ground Floor, Lucky (Kwun Tong) Industrial Building, Nos. 398-402 Kwun Tong Road (formerly No. 95 How Ming Street), Kwun Tong, Kowloon 367/622 equal and undivided shares of and in Section A of Kwun Tong Inland Lot No. 195	Lucky (Kwun Tong) Industrial Building (the "Development") is a 13-storey industrial building with carparking and loading and unloading facilities available on the Ground Floor completed in 1981. The property comprises the whole of 1st Floor and the Flat Roof, the whole of 6th-12th Floors, Roof, External Walls, 2 lavatories, 3 lorry parking spaces and 8 private car parking spaces on Ground Floor of the Development with a total saleable area of approximately (113,862 sq.ft.) exclusive of car parking spaces, flat roof and roof. Details of the saleable area breakdown as measured from the registered floor plans as follows:	Except with 3 lorry parking spaces and 2 private car parking spaces which are vacant, the property is currently subject to various tenancies all expiring on 31 December 2011, yielding a total monthly rental of HK$1,037,692.50 exclusive of rates of HK$40,232.25 and management fees of HK$223,618 and other charges of HK$49,699.32 per month.	HK$450,000,000

Floor	Approximate Saleable Area *(sq.ft.)*
Factories A and B on 1/F	17,678
6/F	13,707
7/F	13,707
8/F	13,707
9/F	13,707
10/F	13,707
11/F	13,707
12/F	13,707
Lavatories A and B on G/F	235
TOTAL:	113,862
Flat Roof	741
Roof	14,019

The property is held under a Government Lease for a term of 21 years renewed for a further term of 16 years commencing from 1 July 1960 which is statutorily extend to 30 June 2047.

Notes:

1. The registered owner of the property is Lafe Properties (Hong Kong) Limited (formerly known as The Grande Properties Limited). However, we have received from the Company a copy of Certificate of Change of Name issued on 16 February 2011 from Registrar of Companies Hong Kong to certify that Lafe Properties (Hong Kong) Limited has by special resolution changed its name and is now incorporated under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) in the name of Rexdale Investment Limited.

2. The property is subject to the following encumbrances:

   (a) Mortgage in favour of The Hong Kong and Shanghai Banking Corporation Limited vide Memorial No. 11020902540043 dated 14 January 2011.

   (b) Assignment of Rental in favour of The Hong Kong and Shanghai Banking Corporation Limited vide Memorial No. 11020902540052 dated 14 January 2011.

3. We noted, during our inspection, Lavatories A and B on Ground Floor of the property has been converted into 2 parking spaces. In the course of our valuation, we have disregarded the value, if any, of such alteration that appeared to be unauthorized and valued them in its original layout and permitted use (i.e. lavatories). In addition, we have not taken into account the cost of reinstatement; if any. The cost of refurbishment is insignificant with respect to the market value of the property, being in the range of HK$500,000 to HK$800,000. As of the date of conducting the land search (26 September 2011), there is no charging order received. If we refer to precedent cases from our experience, with unauthorized structures of similar nature, the amount of potential first offence penalty/fine would be less than HK$50,000.

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	*Notes*	**Capacity**	**Number of issued Shares held**	**Approximate percentage of the issued share capital of the Company**
Mr. Lei Hong Wai		Beneficial owner	1,321,680,000	16.66%
Mr. Cheung Kwok Fan	*1*	Held by controlled corporation	636,000,000	8.02%
Mr. Cheung Kwok Wai, Elton	*2*	Other	636,000,000	8.02%
Mr. Chan Kin Wah, Billy		Beneficial owner	1,320,000	0.02%

Notes:

1. Thought Diamond International Limited 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 held by Thought Diamond International Limited.

b. the share options

Name of Director	**Capacity**	**Number of share options held**	**Number of underlying Shares**
Mr. Lei Hong Wai	Beneficial owner	93,965	93,965
Mr. Cheung Kwok Wai, Elton	Beneficial owner	79,300,000	79,300,000
Mr. Chan Kin Wah, Billy	Beneficial owner	30,993,965	30,993,965

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors, no other person or companies had an interest or short positions in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Long positions

a. the Shares

Name of Shareholder	*Notes*	**Capacity**	**Number of issued Shares held**	**Approximate percentage of the issued share capital of the Company**
Mr. Lei Hong Wai		Beneficial owner	1,321,680,000	16.66%
Thought Diamond International Limited	*1*	Beneficial owner	636,000,000	8.02%

Name of Shareholder	*Notes*	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Mr. Cheung Kwok Fan	*1*	Held by controlled corporation	636,000,000	8.02%
Mr. Cheung Kwok Wai, Elton	*2*	Other	636,000,000	8.02%
Asia Vest Partners VII Limited	*3*	Held by controlled corporations	1,294,921	9.95%
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 Nam Sherrill	*3*	Held by controlled corporations	1,294,921	9.95%

Notes:

1. Thought Diamond International Limited 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 held by Thought Diamond International Limited.

3. The number of issued Shares held was adjusted for the share consolidations that became effective on 30 April 2008 and 23 April 2009.

b. the share options

Name of Shareholder	Capacity	Number of share options held	Number of underlying Shares
Mr. Lei Hong Wai	Beneficial owner	93,965	93,965
Mr. Cheung Kwok Wai, Elton	Beneficial owner	79,300,000	79,300,000

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

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

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

5. COMPETING INTEREST

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

6. LITIGATION

As at the Latest Practicable Date, save as disclosed below, neither the Company nor any of its subsidiaries nor any member of the Target 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 Enlarged Group.

On 15 April 2010, a claim was brought by CFAM in the High Court Action No. 526 of 2010 against Rexdale that, despite repeated demands, Rexdale has failed and still refuses to pay to CFAM a service fee in the sum of HK$25.00 million.

No provision for the claim brought by CFAM was made in the accounts of Rexdale as Lafe Corporation Limited has undertaken to indemnify and keep indemnified One Synergy against any and all losses, claims, damages, penalties, actions, demands, proceedings, judgement and costs (including legal costs on a full indemnify basis and any amount paid for settlement of claims) arising from or in connection with the claim pursuant to the sale and purchase agreement dated 31 December 2010 entered into between Lafe Corporation Limited as vendor and One Synergy as purchaser relating to the sale and purchase of the entire issued share capital of Lafe Properties (Hong Kong) Limited (the former name of Rexdale).

7. SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any services contracts with any member of the Enlarged 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
Norton Appraisals Limited	Property Valuer
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants

Each of Norton Appraisals Limited and HLB Hodgson Impey Cheng has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters, 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 Norton Appraisals Limited and HLB Hodgson Impey Cheng:

(a) was not interested, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group or is proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2010, being the date to which the latest published audited consolidated accounts of the Group were made up; and

(b) did not have any shareholding in any member of the Enlarged 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 Enlarged Group.

10. MISCELLANEOUS

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business of the Company is situated at Unit 3811, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong.

(b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited, having its office situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) Mr. Chan Kin Wah, Billy, the company secretary of the Company, is a member of the Hong Kong Institute of Certified Public Accountants, a CPA member of CPA Australia and a non-practicing member of the Chinese Institute of Certified Public Accountants. He holds a Bachelor of Administration Degree from University of Ottawa in Canada and a Master of Commerce Degree in Professional Accounting from University of New South Wales in Australia.

11. MATERIAL CONTRACTS

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

(a) the subscription agreement dated 20 November 2009 entered into between the Company and Thought Diamond International Limited. Pursuant to the subscription agreement, the Company has conditionally agreed to allot and issue and Thought Diamond International Limited has conditionally agreed to subscribe for 56,000,000 Shares at the subscription price of HK$0.5 per Share;

(b) the sale and purchase agreement dated 31 March 2010 entered into between the Purchaser as purchaser and Mr. Man Kong Yui as vendor in relation to (i) the sale and purchase of 6,750,000 shares with a par value of HK$1.00 each in the capital of Hantec Holdings Investment Limited for a consideration of HK$18 million, which shall be settled by the Purchaser procuring the Company to allot and issue 26,420,000 new Shares credited as fully paid to Mr. Man Kong Yui upon completion; and (ii) the granting of a call option by the Purchaser to Mr. Man Kong Yui to acquire the 6,750,000 shares in Hantec Holdings Investment Limited from the Purchaser for a consideration of HK$21.6 million within one year from the date of completion;

(c) the joint venture agreement dated 24 June 2010 entered into between Max Winner Investments Limited, a wholly-owned subsidiary of the Company, and Yiu Hing International Limited relating to the formation of a joint venture company engaging in organic agricultural business in the People's Republic of China with a total capital contribution of HK$60 million;

(d) the placing agreement dated 12 July 2010 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 45,920,000 new Shares to not fewer than six independent investors at a price of HK$0.55 per Share;

(e) the joint venture agreement dated 21 July 2010 entered into between the Purchaser, Campbell Shillinglaw & Partners (Vietnam) Limited and Victory Peace Holdings Limited relating to the setting up of a joint venture company, namely Victory Peace Holdings Limited, engaging in the business of conducting, development and investing into real estate and related projects in Vietnam with a proposed issued share capital of US$10,000 as to 90.1% to be subscribed by the Purchaser and 9.9% to be subscribed by Campbell Shillinglaw & Partners (Vietnam) Limited;

(f) the facility agreement dated 21 July 2010 entered into between the Company and Victory Peace Holdings Limited relating to the grant of a revolving credit of HK$700 million by the Company to Victory Peace Holdings Limited;

(g) the underwriting agreement dated 28 July 2010 entered into between the Company and Kingston Securities Limited in relation to the underwriting arrangement in respect of proposed issue of not less than 826,584,147 and not more than 879,960,951 new Shares by way of rights to the qualifying Shareholders at a price of HK$0.40 per new Share on the basis of three new Shares for every one existing Share held on 3 September 2010;

(h) the sale and purchase agreement dated 31 December 2010 entered into between Lafe Corporation Limited as vendor and One Synergy as purchaser relating to the acquisition of the entire issued share capital of Lafe Properties (Hong Kong) Limited (the former name of Rexdale) by One Synergy from Lafe Corporation Limited at a consideration of HK$157.96 million;

(i) the conditional subscription agreement dated 21 January 2011 entered into between China Star Entertainment Limited ("**China Star**") and the Company in relation to the subscription of the convertible bonds of China Star by the Company in the principal amount of HK$650 million in two tranches at their face value;

(j) the supplemental agreement dated 28 March 2011 entered into between the Company and China Star relating to the amendments to the subscription agreement dated 21 January 2011 relating to the proposed subscription of the convertible bonds of China Star by the Company;

(k) the irrevocable undertaking dated 29 March 2011 given by Simple View Investment Limited to China Star, Mansion House Securities (F.E.) Limited and Heung Wah Keung Family Endowment Limited (a) to subscribe for or procure subscription for 200,000,000 new shares of China Star to which Simple View Investment Limited is entitled under the rights issue announced by China Star on 18 April 2011 and (b) not to dispose of and not to exercise the subscription rights attached to the warrants of China Star held by it in an aggregate principal amount of HK$26.25 million on or before the completion of the rights issue;

(l) the irrevocable undertaking dated 29 March 2011 given by the Company to China Star, Mansion House Securities (F.E.) Limited and Heung Wah Keung Family Endowment Limited not to dispose of the convertible bonds to be issued pursuant to the subscription agreement dated 21 January 2011 (if issued) and not to exercise the conversion rights attached to the convertible bonds (if issued) on or before the completion of the rights issue on 18 April 2011;

(m) the conditional sale and purchase agreement dated 4 April 2011 entered into between Citadines Ashley TST (Singapore) Pte. Ltd. as vendor and Golden Stone Management Limited, a wholly-owned subsidiary of the Company as purchaser in relation to the sale and purchase of the entire issued share capital of Citadines Ashley TST (Hong Kong) Limited and Citadines Ashley TST Management (Hong Kong) Limited at a total consideration of HK$283 million;

(n) the Sale and Purchase Agreement;

(o) the placing and subscription agreement dated 7 June 2011 entered into between Mr. Lei Hong Wai, the Company and Kingston Securities Limited in relation to the placing of 220,280,000 existing Shares beneficially owned by Mr. Lei Hong Wai at a price of HK$0.135 per Share and the subscription of 220,280,000 new Shares at a price of HK$0.135 per Share by Mr. Lei Hong Wai;

(p) the underwriting agreement dated 7 June 2011 entered into between the Company, Kingston Securities Limited, Mr. Lei Hong Wai and Thought Diamond International Limited in relation to the underwriting arrangement in respect of proposed 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 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;

(q) the Supplemental Agreement;

(r) the master franchise agreement dated 6 July 2011 entered into between Advance Top Limited, a wholly-owned subsidiary of the Company, and アザース株式会社 (an unofficial English translation: Az-earth Company Limited and an unofficial Chinese translation: 麵鮮醬油房 周月) relating to the grant of the sole and exclusive rights and master license of franchise business of selling noodles, drinks and related Japanese food products by アザース株式会社 (an unofficial English translation: Az-earth Company Limited and an unofficial Chinese translation: 麵鮮醬油房 周月) to Advance Top Limited in the Greater China Region for a period of ten years commencing from 15 July 2011;

(s) the supplemental agreement dated 30 September 2011 entered into between Citadines Ashley TST (Singapore) Pte. Ltd. and Golden Stone Management Limited, a wholly-owned subsidiary of the Company, relating to extend the long stop date of the conditional sale and purchase agreement dated 4 April 2011 from 30 September 2011 to 30 November 2011; and

(t) the sale and purchase agreement dated 26 October 2011 entered into between the Purchaser as purchaser and Ms. Tan Ting Ting as vendor relating to the acquisition of the entire issued share capital of Dynamic Eagle Investments Limited, a property investment company, at a consideration of HK$6.50 million.

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 2009 and 2010 and the interim report of the Company for the six months ended 30 June 2011;

(c) the accountants' report of the Target Group, the text of which is set out in Appendix IIIA to this circular;

(d) the accountants' report of Rexdale, the text of which is set out in Appendix IIIB to this circular;

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

(f) the valuation report of the Property, the text of which is set out in Appendix VI to this circular;

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

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

(i) a copy of each of the circulars issued by the Company pursuant to the requirements set out in Chapter 14 of the Listing Rules since 31 December 2010, being the date of the latest published audited consolidated accounts of the Group; and

(j) 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 Connuaght Road Central, Hong Kong on Monday, 12 December 2011 at 3:20 p.m. (or immediately after the conclusion of the special general meeting of the Company which is scheduled to be held on the same day at 3:10 p.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 sale and purchase agreement dated 25 May 2011 entered into between Vartan Holdings Limited and Riche (BVI) Limited (the "**Sale and Purchase Agreement**"), in respect of which a copy of the Sale and Purchase Agreement marked "A" have been produced to the Meeting and signed by the chairman of the Meeting for the purpose of identification, the supplemental agreement dated 10 June 2011 entered into between Vartan Holdings Limited and Riche (BVI) Limited (the "**Supplemental Agreement**"), in respect of which a copy of the Supplemental Agreement marked "B" have been produced to the Meeting and signed by the chairman of the Meeting for the purpose of identification, the deed of indemnity to be entered into between Vartan Holdings Limited, Adelio Holdings Limited, One Synergy Limited, Rexdale Investment Limited and Riche (BVI) Limited (the "**Deed of Indemnity**"), in respect of which a copy of the Deed of Indemnity marked "C" have been produced to the Meeting and signed by the chairman of the Meeting for the purpose of identification, and the terms of and the transactions contemplated thereunder (the "**Acquisition**") and all such documents ancillary to the Acquisition be and are hereby approved, ratified and confirmed; and

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

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

Hong Kong, 23 November 2011

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

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

Notes:

1. A 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 branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less 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.

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 shares 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 shares shall alone be entitled to vote in respect thereof.