ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

2013 Interim Report

Contents

Corporate Information

Board of Directors

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

Non-executive director
Mr. Cheung Kwok Fan

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

Company Secretary

Mr. Chan Kin Wah, Billy

Members of Audit Committee

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

Members of Remuneration Committee

Mr. Ng Heung Yan
Mr. Lei Hong Wai
Mr. Wan Shing Chi

Members of Nomination Committee

Mr. Lei Hong Wai
Mr. Wan Shing Chi
Mr. Ng Heung Yan

Members of Finance Committee

Mr. Chan Kin Wah, Billy
Mr. Wong Tak Chuen

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

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

Principal Share Registrar and Transfer Office

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited
Share Registration Public Office
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Auditor

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Principal Bankers

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

Stock Code

764

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Interim Results

The board of directors (the "**Board**") of Eternity Investment Limited (the "**Company**") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2013 together with the comparative figures for 2012 as follows:

Condensed Consolidated Statement of Profit or Loss

	Notes	**Six months ended 30 June**	
		2013	2012
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*3*	**8,965**	45,472
Cost of sales		**—**	—
Gross profit		**8,965**	45,472
Investment and other income	*4*	**37,895**	1,173
Other gains and losses	*5*	**103,346**	52,722
Administrative expenses		**(16,846)**	(10,856)
Share of results of associates		**(1,764)**	—
Profit from operations	*6*	**131,596**	88,511
Finance costs		**—**	—
Profit before taxation		**131,596**	88,511
Income tax (expense)/credit	*7*	**(1,953)**	2,594
Profit for the period		**129,643**	91,105
Profit attributable to:			
Owners of the Company		**129,644**	91,106
Non-controlling interests		**(1)**	(1)
		129,643	91,105
Interim dividend	*8*	**—**	—
Earnings per share	*9*		
— Basic		**HK36.74 cents**	HK44.65 cents
— Diluted		**HK36.74 cents**	HK44.04 cents

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Six months ended 30 June 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Profit for the period		**129,643**	91,105
Other comprehensive income for the period			
Item that may be subsequently reclassified to profit or loss:			
Net gain arising on revaluation of available-for-sale financial assets	*15*	**60,191**	33,500
Total comprehensive income for the period		**189,834**	124,605
Total comprehensive income attributable to:			
Owners of the Company		**189,835**	124,606
Non-controlling interests		**(1)**	(1)
		189,834	124,605

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

Condensed Consolidated Statement of Financial Position

	Notes	At 30 June 2013 HK$'000 (Unaudited)	At 31 December 2012 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**122**	301
Investment properties	*11*	**—**	21,940
Intangible assets	*12*	**1,960**	5,722
Interests in associates	*13*	**41,792**	43,259
Convertible notes receivables	*14*	**23,672**	323,160
Available-for-sale financial assets	*15*	**172**	129,671
Loans receivables	*17*	**69,690**	—
		137,408	524,053
Current assets			
Trade receivables	*16*	**1,616**	41
Loans receivables	*17*	**139,174**	60,753
Deposits, prepayments and other receivables		**14,801**	14,815
Amount due from an associate		**3,528**	3,528
Financial assets at fair value through profit or loss		**65,747**	25,199
Convertible notes receivables	*14*	**306,109**	—
Available-for-sale financial assets	*15*	**189,690**	—
Conversion options embedded in convertible notes receivables	*18*	**157,963**	74,256
Cash and cash equivalents		**396,448**	297,967
		1,275,076	476,559
Assets classified as held for sale	*19*	**599,000**	603,000
		1,874,076	1,079,559
Total assets		**2,011,484**	1,603,612

Condensed Consolidated Statement of Financial Position *(Continued)*

	Notes	At 30 June 2013 HK$'000 (Unaudited)	At 31 December 2012 HK$'000 (Audited)
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*20*	**4,567**	2,574
Reserves		**1,924,511**	1,519,380
Equity attributable to owners of the Company		**1,929,078**	1,521,954
Non-controlling interests		**(3)**	(2)
Total equity		**1,929,075**	1,521,952
LIABILITIES			
Current liabilities			
Accruals, deposit received and other payables		**67,518**	68,200
Rental deposits received		**1,604**	1,595
Tax payable		**11,418**	9,533
		80,540	79,328
Non-current liability			
Deferred taxation		**1,869**	2,332
Total liabilities		**82,409**	81,660
Total equity and liabilities		**2,011,484**	1,603,612
Net current assets		**1,793,536**	1,000,231
Total assets less current liabilities		**1,930,944**	1,524,284

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	Contributed surplus	Share-based payment reserve	Available-for-sale financial assets revaluation reserve	Retained profits	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2012	79,344	221,744	19,844	327,303	11,148	(44,780)	623,033	1,237,636	(1)	1,237,635
Profit for the period	–	–	–	–	–	–	91,106	91,106	(1)	91,105
Other comprehensive income for the period										
Net gain arising on revaluation of available-for-sale financial assets	–	–	–	–	–	33,500	–	33,500	–	33,500
Total comprehensive income for the period	–	–	–	–	–	33,500	91,106	124,606	(1)	124,605
Capital reorganisation	(77,360)	–	–	77,360	–	–	–	–	–	–
Placing of new shares	396	11,942	–	–	–	–	–	12,338	–	12,338
Share-based payment expenses	–	–	–	–	1,892	–	–	1,892	–	1,892
At 30 June 2012	2,380	233,686	19,844	404,663	13,040	(11,280)	714,139	1,376,472	(2)	1,376,470
At 1 January 2013	**2,574**	**242,048**	**19,844**	**404,663**	**9,884**	**12,349**	**830,592**	**1,521,954**	**(2)**	**1,521,952**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**129,644**	**129,644**	**(1)**	**129,643**
Other comprehensive income for the period										
Net gain arising on revaluation of available-for-sale financial assets	**–**	**–**	**–**	**–**	**–**	**60,191**	**–**	**60,191**	**–**	**60,191**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**60,191**	**129,644**	**189,835**	**(1)**	**189,834**
Placing of new shares	**470**	**29,845**	**–**	**–**	**–**	**–**	**–**	**30,315**	**–**	**30,315**
Open offer of new shares	**1,523**	**181,146**	**–**	**–**	**–**	**–**	**–**	**182,669**	**–**	**182,669**
Transaction cost on share issue	**–**	**(2,776)**	**–**	**–**	**–**	**–**	**–**	**(2,776)**	**–**	**(2,776)**
Share-based payment expenses	**–**	**–**	**–**	**–**	**7,081**	**–**	**–**	**7,081**	**–**	**7,081**
Release on lapse of share options	**–**	**–**	**–**	**–**	**(36)**	**–**	**36**	**–**	**–**	**–**
At 30 June 2013	**4,567**	**450,263**	**19,844**	**404,663**	**16,929**	**72,540**	**960,272**	**1,929,078**	**(3)**	**1,929,075**

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	**(188,013)**	29,458
Net cash generated from/(used in) investing activities	**76,286**	(45,612)
Net cash generated from financing activities	**210,208**	35,338
Net increase in cash and cash equivalents	**98,481**	19,184
Cash and cash equivalents at beginning of the period	**297,967**	217,632
Cash and cash equivalents at end of the period	**396,448**	236,816
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**396,448**	236,816

1. Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard (the "**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2012.

The Interim Financial Statements have been prepared on the historical cost basis, except for intangible assets, investment properties, assets classified as held for sale and certain financial assets that are measured at fair values.

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

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2012, except as described below.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the "**new and revised HKFRSs**"), which are effective for the Group's accounting period beginning 1 January 2013.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised in 2011)	Employee Benefits
HKAS 27 (Revised in 2011)	Separate Financial Statements
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

Except as describe below, the application of the new and revised HKFRSs has had no material effect on the Interim Financial Statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the Interim Financial Statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 24 to the condensed consolidated financial statements.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

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

HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRS 9	Financial Instruments[2]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 January 2015.

The Group is in the process of assessing the potential impact of the new and revised HKFRSs but is not yet in a position to determine whether the new and revised HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. The new and revised HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. Operating segments

The Group's reportable segments have been determined based on the information reported to the Chairman of the Board, being chief operating decision maker, that are used for performance assessment and to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's reportable segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other reportable segments. The Group currently has five reportable segments:

(a)	Distribution	Distribution of films and sub-licensing of film rights
(b)	Property investment	Leasing of rental properties
(c)	Sale of financial assets	Sale of financial assets at fair value through profit or loss
(d)	Provision of management services	Provision of management services to the concierge department of a gaming promoter appointed by a Macau casino
(e)	Money lending	Money lending

3. Operating segments *(Continued)*

An analysis of the Group's reportable segment results, assets, liabilities and other selected financial information for the six months ended 30 June 2013 and 2012 by operating segments are as follow:

(a) Segment results, assets and liabilities

Six months ended 30 June 2013

	Distribution HK$'000 (Unaudited)	Property investment HK$'000 (Unaudited)	Sale of financial assets HK$'000 (Unaudited)	Provision of management services HK$'000 (Unaudited)	Money lending HK$'000 (Unaudited)	Consolidated HK$'000 (Unaudited)
Segment revenue from external customers	–	3,332	33	277	5,323	8,965
Segment profit/(loss)	(14)	(842)	40,339	(3,496)	5,233	41,220
Interest income on bank deposits						1,402
Unallocated corporate income						14
Unallocated corporate expenses						(14,374)
Finance costs						–
Gain arising on change in fair value of conversion options embedded in convertible notes receivables						83,707
Gain on disposal of subsidiaries						588
Imputed interest income on convertible notes receivables						20,506
Reversal of impairment loss recognised in respect of interests in an associate						297
Share of results of associates						(1,764)
Profit before taxation						131,596
Income tax expense						(1,953)
Profit for the period						129,643
Segment assets	271	603,250	307,893	2,064	225,905	1,139,383
Unallocated						872,101
Consolidated assets						2,011,484
Segment liabilities	–	61,863	501	235	262	62,861
Unallocated						19,548
Consolidated liabilities						82,409

3. Operating segments *(Continued)*

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

Six months ended 30 June 2012

	Distribution *HK$'000* (Unaudited)	Property investment *HK$'000* (Unaudited)	Sale of financial assets *HK$'000* (Unaudited)	Provision of management services *HK$'000* (Unaudited)	Money lending *HK$'000* (Unaudited)	Consolidated *HK$'000* (Unaudited)
Segment revenue from external customers	–	2,776	649	38,131	3,916	45,472
Segment profit/(loss)	(31)	35,829	(1,973)	11,006	3,900	48,731
Interest income on bank deposits						533
Unallocated corporate income						–
Unallocated corporate expenses						(8,391)
Finance costs						–
Gain arising on change in fair value of conversion options embedded in convertible notes receivables						17,369
Gain arising on early redemption of convertible notes receivables						1,836
Gain on a bargain purchase						32
Imputed interest income on convertible notes receivables						28,401
Profit before taxation						88,511
Income tax credit						2,594
Profit for the period						91,105
Segment assets	379	473,768	142,519	21,528	53,789	691,983
Unallocated						705,442
Consolidated assets						1,397,425
Segment liabilities	577	3,879	509	2,019	1,246	8,230
Unallocated						12,725
Consolidated liabilities						20,955

3. Operating segments *(Continued)*

(b) Other segment information

Six months ended 30 June 2013

	Distribution *HK$'000* (Unaudited)	Property investment *HK$'000* (Unaudited)	Sale of financial assets *HK$'000* (Unaudited)	Provision of management services *HK$'000* (Unaudited)	Money lending *HK$'000* (Unaudited)	Unallocated *HK$'000* (Unaudited)	Consolidated *HK$'000* (Unaudited)
Amounts included in the measure of segment profit/(loss) and segment assets							
Addition to property, plant and equipment	–	12	–	–	–	–	12
Depreciation of property, plant and equipment	–	32	29	–	–	–	61
Dividend income	–	–	36,479	–	–	–	36,479
Gain arising on change in fair value of financial assets at fair value through profit or loss	–	–	3,950	–	–	–	3,950
Impairment loss recognised in respect of intangible assets	–	–	–	(3,762)	–	–	(3,762)
Loss arising on change in fair value of investment properties	–	(1,940)	–	–	–	–	(1,940)

3. Operating segments *(Continued)*

(b) Other segment information *(Continued)*

Six months ended 30 June 2012

	Distribution HK$'000 (Unaudited)	Property investment HK$'000 (Unaudited)	Sale of financial assets HK$'000 (Unaudited)	Provision of management services HK$'000 (Unaudited)	Money lending HK$'000 (Unaudited)	Unallocated HK$'000 (Unaudited)	Consolidated HK$'000 (Unaudited)
Amounts included in the measure of segment profit/(loss) and segment assets							
Addition to property, plant and equipment	–	–	–	–	–	–	–
Depreciation of property, plant and equipment	–	–	111	–	–	2	113
Gain arising on change in fair value of investment properties	–	34,080	–	–	–	–	34,080
Gain on disposal of an investment property	–	640	–	–	–	–	640
Impairment loss recognised in respect of intangible assets	–	–	–	(27,111)	–	–	(27,111)
Loss arising on change in fair value of financial assets at fair value through profit or loss	–	–	(1,885)	–	–	–	(1,885)

(c) Geographical segments — Turnover

	Six months ended 30 June	
	2013 **HK$'000** **(Unaudited)**	2012 HK$'000 (Unaudited)
Hong Kong	**8,688**	7,341
Macau	**277**	38,131
	8,965	45,472

Certain comparative figures have been reclassified to conform to the change of resources allocation in the current period. Accordingly, certain administrative expenses, depreciation of property, plant and equipment and other gains and losses, which were previously presented as unallocated, have been reclassified to relevant reportable segments.

4. Investment and other income

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend income	**36,479**	—
Interest income on bank deposits	**1,402**	533
Gain on disposal of an investment property	**—**	640
Sundry income	**14**	—
	37,895	1,173

5. Other gains and losses

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Gain arising on change in fair value of conversion options embedded in convertible notes receivables	**83,707**	17,369
Gain/(loss) arising on change in fair value of financial assets at fair value through profit or loss	**3,950**	(1,885)
Gain arising on early redemption of convertible notes receivables	**—**	1,836
Gain on a bargain purchase	**—**	32
Gain on disposal of subsidiaries	**588**	—
Impairment loss recognised in respect of intangible assets	**(3,762)**	(27,111)
Imputed interest income on convertible notes receivables	**20,506**	28,401
(Loss)/gain arising on change in fair value of investment properties	**(1,940)**	34,080
Reversal of impairment loss recognised in respect of interests in an associate	**297**	—
	103,346	52,722

6. Profit from operations

Profit from operations has been arrived at after charging:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**61**	113
Operating lease rentals in respect of rented premises	**1,100**	1,236
Share-based payment expenses in respect of consultancy services	**4,195**	1,284
Staff costs including directors' emoluments:		
— salaries and other allowances	**5,613**	3,456
— contributions to retirement benefits scheme	**53**	43
— share-based payment expenses	**2,886**	608
	8,552	4,107

7. Income tax (expense)/credit

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax expense	**(2,404)**	(659)
Deferred tax credit	**451**	3,253
	(1,953)	2,594

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2013 (six months ended 30 June 2012: 16.5%).

No provision for Macau Complementary Profits Tax has been made for the six months ended 30 June 2013 (six months ended 30 June 2012: HK$Nil) as the Group has no estimated assessable profits.

The deferred tax credit of HK$451,000 represented the reversal of deferred tax liabilities arising from the recognition of impairment loss on intangible assets (six months ended 30 June 2012: HK$3,253,000).

8. Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: HK$Nil).

9. Earnings per share

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	**129,644**	91,106

	Number of ordinary shares	
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**352,883**	204,026
Effect of dilutive potential ordinary shares: Share options	**–**	2,829
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**352,883**	206,855

The weighted average number of ordinary shares for the purposes of basic and diluted earnings per share for the six months ended 30 June 2012 has been adjusted for the capital reorganisation of the Company in May 2012.

Diluted earnings per share for the six months ended 30 June 2013 was the same as the basic earnings per share as the Company's outstanding share options were anti-dilutive and had no dilutive effect.

10. Property, plant and equipment

During the six months ended 30 June 2013, the Group acquired an item of property, plant and equipment with a cost of approximately HK$12,000 (year ended 31 December 2012: HK$242,000) and items of property, plant and equipment with carrying amounts of approximately HK$130,000 were derecognised on disposal of subsidiaries (year ended 31 December 2012: HK$Nil). The Group did not dispose of any property, plant and equipment during the six months ended 30 June 2013 (year ended 31 December 2012: HK$331,000).

11. Investment properties

	HK$'000
Fair value:	
At 1 January 2012 (audited)	442,920
Additions	21,438
Disposal	(7,310)
Disposal of a subsidiary	(700)
Gain arising on change in fair value	168,592
Transfer to assets classified as held for sale *(note 19)*	(603,000)
At 31 December 2012 and 1 January 2013 (audited)	21,940
Disposal of subsidiaries	(24,000)
Gain arising on change in fair value	2,060
At 30 June 2013 (unaudited)	**–**

The Group's investment properties are located in Hong Kong and held under medium term lease.

On 6 June 2013, the Group disposed of two investment properties by selling the entire issued share capital of East Legend Properties Limited ("**East Legend**") and Goway Properties Limited ("**Goway**"), both of them are wholly owned subsidiaries of the Company, to an independent third party at an aggregate cash consideration of approximately HK$24,995,000. The consideration was determined with reference to the market value of the two investment properties of HK$24,000,000 at 31 May 2013 and adjusted for the net assets value of East Legend and Goway. Accordingly, a gain arising on change in fair value of HK$2,060,000 and a gain on disposal of subsidiaries of HK$588,000 were recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2013.

The Group's investment properties, including the investment properties transferred to assets classified as held for sale, during the six months ended and as at 30 June 2013 are stated at fair value which has been arrived at on the basis of valuations carried out by Peak Vision Appraisals Limited ("**Peak Vision**") and Grant Sherman Appraisal Limited ("**Grant Sherman**"). Each of Peak Vision and Grant Sherman is a firm of independent qualified professional valuers with no connection with the Group. Peak Vision and Grant Sherman are members of Hong Kong Institute of Surveyors ("**HKIS**") and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations, which conform to the HKIS Valuation Standards 2012 Edition, were arrived at by reference to comparable sales evidence as available in the relevant market and the current rents passing and the reversionary income potential of tenancies.

12. Intangible assets

	HK$'000
Cost:	
At 1 January 2012, 31 December 2012, 1 January 2013 and 30 June 2013	456,857
Accumulated impairment:	
At 1 January 2012	412,917
Impairment loss recognised	38,218
At 31 December 2012 and 1 January 2013	451,135
Impairment loss recognised	3,762
At 30 June 2013	454,897
Carrying amounts:	
At 30 June 2013 (unaudited)	**1,960**
At 31 December 2012 (audited)	5,722

The intangible assets represent the carrying amounts of services agreements held by Rich Daily Group Limited ("**Rich Daily**"), a wholly owned subsidiary of the Company and a management services provider to the concierge departments of gaming promoters in Macau. The services agreements have indefinite useful lives and no amortisation has been made.

At 30 June 2013, the directors of the Company performed impairment test for the carrying amount of the remaining services agreement held by Rich Daily with reference to the valuation performed by Grant Sherman and an impairment loss of HK$3,762,000 was recognised (year ended 31 December 2012: HK$38,218,000).

The carrying amount of the remaining services agreement was tested for impairment by reference to value-in-use calculation. A discount rate of 21.45% per annum (year ended 31 December 2012: 19.66% per annum) was applied in the value-in-use model which uses cash flow projection based on financial forecast approved by the directors of the Company covering a five-year period. There are a number of assumptions and estimates involved for the preparation of the cash flow projection for the period covered by the forecast. Key assumptions include gross margin and growth rate which are determined by the management of the Group based on its expectation for market development. The discount rate used is pre-tax and reflects specific risks relating to the industry.

13. Interests in associates

	At 30 June 2013 HK$'000 (Unaudited)	At 31 December 2012 HK$'000 (Audited)
Unlisted		
Shares, at cost	—	—
Share of net assets	—	—
	—	—
Listed in Hong Kong		
Share of net assets, including goodwill on acquisition	47,632	49,396
Less: impairment loss recognised	(5,840)	(6,137)
	41,792	43,259
Market value of listed shares	41,792	43,259
Reconciliation of impairment loss recognised on interests in associates:		
At beginning of the period/year	6,137	—
Impairment loss recognised	—	6,137
Reversal of impairment loss recognised	(297)	—
At end of the period/year	5,840	6,137

14. Convertible notes receivables

	At 30 June 2013 HK$'000 (Unaudited)	At 31 December 2012 HK$'000 (Audited)
At beginning of the period/year	**323,160**	354,729
Subscription of convertible notes	**—**	21,451
Imputed interest income on convertible notes receivables	**20,506**	50,086
Interest income received on convertible notes receivables	**(13,885)**	(32,794)
Early redemption of convertible notes *(note b)*	**—**	(70,312)
At end of the period/year	**329,781**	323,160
Analysed for reporting purposes as:		
Current assets *(note a)*	**306,109**	—
Non-current assets *(note c)*	**23,672**	323,160
	329,781	323,160

Notes:

(a) China Star Entertainment Limited ("**China Star**")
On 7 July 2011, China Star issued the convertible notes in the aggregate principal amount of HK$350,000,000 to the Group. The convertible notes are unsecured, interest bearing at 8% per annum and maturing on 6 July 2016.

Provided that any conversion of the convertible notes (i) does not trigger a mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers on the noteholder(s) which exercised the conversion rights and its/their party(ies) acting in concert; and (ii) will not cause the public float of China Star unable to meet requirement under Rule 8.08 of the Listing Rules, the noteholder(s) shall have the right at any time during the period from 7 July 2011 to 5 July 2016 to convert the whole or part of the outstanding principal amount of the convertible notes into ordinary shares in China Star at an adjusted conversion price of HK$0.11 per share (subject to further adjustment). Unless previously redeemed or converted, any amount of the convertible notes which remains outstanding on the maturity date shall be redeemed at its then outstanding principal amount.

14. Convertible notes receivables *(Continued)*

Notes: (Continued)

(a) China Star Entertainment Limited ("**China Star**") *(Continued)*

The debt component of convertible notes is measured at amortised cost and the effective interest rate of the debt components is 13.17% per annum. The conversion option component is presented as conversion options embedded in convertible notes receivables in the condensed consolidated statement of financial position.

The convertible notes receivable from China Star were classified as non-current assets at 31 December 2012. At 30 June 2013, the convertible notes receivable from China Star were expected to be converted within 12 months from the end of the reporting period and were reclassified as current assets.

(b) Culture Landmark Investment Limited ("**Culture Landmark**")

On 29 December 2011, Culture Landmark issued the convertible notes in the aggregate principal amount of HK$75,000,000 to the Group. The convertible notes are unsecured, interest bearing at 12% per annum and maturing on 28 December 2012.

Provided that any conversion of the convertible notes (i) does not trigger a mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers on the noteholder(s) which exercised the conversion rights and its/their party(ies) acting in concert; and (ii) will not cause the public float of Culture Landmark unable to meet requirement under Rule 8.08 of the Listing Rules, the noteholder(s) shall have right at any time during the period from 29 December 2011 to 27 December 2012 to convert the whole or part of the outstanding principal amount of the convertible notes into ordinary shares in Culture Landmark at an initial conversion price of HK$0.08 per share (subject to adjustment). Unless previously redeemed or converted, any amount of the convertible notes which remains outstanding on the maturing date shall be redeemed at its then outstanding principal amount.

The debt component of the convertible notes is measured at amortised cost and the effective interest rate of the debt components is 29.65% per annum. The conversion option component is presented as conversion options embedded in convertible notes receivables in the condensed consolidated statement of financial position.

During the year ended 31 December 2012, the convertible notes in the aggregate principal amount of HK$75,000,000 were early redeemed by Culture Landmark at par. Accordingly, a loss arising on early redemption of convertible notes receivables of HK$1,930,000 was recognised.

14. Convertible notes receivables *(Continued)*

Notes: (Continued)

(c) Koffman Corporate Service Limited ("**Koffman**")

On 22 March 2012, Koffman issued the convertible note in a principal amount of HK$27,000,000 to the Group. The convertible note is unsecured, non-interest bearing and maturing on 21 March 2015.

Provided that the convertible note has not been redeemed, the whole convertible note shall automatically be converted into shares in Koffman upon the success of initial public offering of Koffman's shares at the price of initial public offering. Any amount of the convertible note which remains outstanding on the maturity date shall be redeemed by Koffman at its then outstanding principal amount plus a premium calculated at 20% of the then outstanding principal amount.

The debt component of the convertible note is measured at amortised cost and the effective interest rate of the debt component is 7.97% per annum. The conversion option component is presented as conversion option embedded in convertible notes receivables in the condensed consolidated statement of financial position.

At 30 June 2013, the convertible note receivable from Koffman was classified as non-current assets.

15. Available-for-sale financial assets

	At 30 June 2013 *HK$'000* (Unaudited)	At 31 December 2012 *HK$'000* (Audited)
Listed equity securities in Hong Kong, at fair value		
At beginning of the period/year	**129,499**	58,960
Additions	**—**	13,410
Net gain arising on revaluation of available-for-sale financial assets	**60,191**	57,129
At end of the period/year	**189,690**	129,499
Unlisted debt security		
Club debenture	**172**	172
	189,862	129,671
Analysed for reporting purposes as:		
Current assets *(note)*	**189,690**	—
Non-current assets	**172**	129,671
	189,862	129,671

Note:

The available-for-sale financial assets in China Star were classified as non-current assets at 31 December 2012. At 30 June 2013, the available-for-sale financial assets in China Star were expected to be converted within 12 months from the end of the reporting period and were reclassified as current assets.

16. Trade receivables

	At 30 June 2013 *HK$'000* (Unaudited)	At 31 December 2012 *HK$'000* (Audited)
0 – 30 days	**1,616**	41
Over 90 days	**396**	396
	2,012	437
Less: impairment loss recognised	**(396)**	(396)
	1,616	41

The Group allows an average credit period of 90 days to its customers.

17. Loans receivables

	At 30 June 2013 *HK$'000* (Unaudited)	At 31 December 2012 *HK$'000* (Audited)
Loans to customers	**205,925**	52,141
Accrued interest receivables	**2,939**	8,612
	208,864	60,753
Less: impairment loss recognised	**—**	—
	208,864	60,753
Analysed for reporting purposes as:		
Current assets	**139,174**	60,753
Non-current assets	**69,690**	—
	208,864	60,753

17. Loans receivables *(Continued)*

All loans are denominated in Hong Kong Dollars. The loans receivables carry fixed effective interest ranging approximately from 8% to 48% per annum (year ended 31 December 2012: 8% to 48%). A maturity profile of the loans receivables (net of impairment loss recognised, if any) at the end of the reporting period, based on the maturity date is as follows:

	At 30 June 2013 HK$'000 (Unaudited)	At 31 December 2012 HK$'000 (Audited)
Within one year	**139,174**	60,753
Over one year but within two years	**69,690**	—
	208,864	60,753

At 30 June 2013, loans receivables amounted to approximately HK$59,387,000 are secured by a personal guarantee and an undated share charge.

18. Conversion options embedded in convertible notes receivables

	At 30 June 2013 HK$'000 (Unaudited)	At 31 December 2012 HK$'000 (Audited)
At beginning of the period/year	**74,256**	75,282
Subscription of convertible notes		
— conversion option components	**—**	5,549
Gain arising on change in fair value of		
conversion option components	**83,707**	42
Early redemption of convertible notes	**—**	(6,617)
At end of the period/year	**157,963**	74,256

Note:

Binomial option pricing model is used for valuation of the conversion option components.

19. Assets classified as held for sale

On 20 November 2012, Rexdale Investment Limited ("**Rexdale**"), a wholly owned subsidiary of the Company, entered into a preliminary sale and purchase agreement with an independent third party relating to the disposal of the investment properties located in Kwun Tong at a cash consideration of HK$586,000,000. At 30 June 2013, the disposal was not completed and the investment properties held by Rexdale were remained as assets classified as held for sale in the condensed consolidated statement of financial position. The fair value of the investment properties at 30 June 2013 was HK$599,000,000 and a loss arising on change in fair value of HK$4,000,000 was recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2013. The fair value of the investment properties at 30 June 2013 has been arrived at based on a valuation carried out by Peak Vision, by making reference to comparable sales evidence as available in the relevant market and the current rents passing and the reversionary income potential of tenancies. The disposal of the investment properties was completed on 4 July 2013.

The assets classified as held for sale were as follows:

	At 30 June 2013 *HK$'000* (Unaudited)	At 31 December 2012 *HK$'000* (Audited)
At beginning of the period/year	**603,000**	—
Loss arising on change in fair value of investment properties	**(4,000)**	—
Transfer from investment properties *(note 11)*	**—**	603,000
At end of the period/year	**599,000**	603,000

20. Share capital

	Number of shares *'000*	Share capital *HK$'000*
Ordinary shares of HK$0.01 each (2012: HK$0.01 each)		
Authorised:		
At 1 January 2012, 31 December 2012, 1 January 2013 and 30 June 2013	**10,000,000**	**100,000**
Issued and fully paid:		
At 1 January 2012	7,934,353	79,344
Capital reorganisation *(note a)*		
— Share consolidation	(7,735,994)	—
— Capital reduction	—	(77,360)
Placing of new shares *(note b)*	39,670	396
Exercise of share options *(notes c and d)*	19,420	194
At 31 December 2012 and 1 January 2013 (audited)	257,449	2,574
Placing of new shares *(note e)*	47,000	470
Open offer of new shares *(note f)*	152,224	1,523
At 30 June 2013 (unaudited)	**456,673**	**4,567**

Notes:

(a) On 9 May 2012, the capital of the Company was reorganised involving (i) every 40 existing ordinary shares of HK$0.01 each in the issued share capital of the Company be consolidated into one ordinary share of HK$0.40 (the "**Consolidated Share**") (the "**Share Consolidation**"); (ii) the total number of the Consolidated Shares in the issued share capital of the Company be rounded down to a whole number by cancelling the fractional Consolidated Share arising from the Share Consolidation; (iii) the paid-up capital of each Consolidated Share be reduced from HK$0.40 to HK$0.01 by cancelling HK$0.39 (together with (ii) above are hereinafter referred to as the "**Capital Reduction**") so as to form a new ordinary share of HK$0.01; and (iv) the amount of credit arising in the accounts of the Company from the Capital Reduction be credited to the contributed surplus account of the Company.

20. Share capital *(Continued)*

Notes: (Continued)

(b) On 18 May 2012, 39,670,000 new ordinary shares of HK$0.01 each were allotted and issued at a price of HK$0.32 per share by way of placing of new shares under specific mandate. The net proceeds of HK$12,338,000 were intended to be used for financing possible property investment project of the Group and/or enhancing the Group's fixed income portfolio by subscribing additional high-yield convertible notes.

(c) On 20 December 2012, the Company allotted and issued 7,120,000 new ordinary shares of HK$0.01 each at a price of HK$0.345 per share pursuant to the exercise of share options under the Company's share option scheme.

(d) On 28 December 2012, the Company allotted and issued 12,300,000 new ordinary shares of HK$0.01 each at a price of HK$0.345 per share pursuant to the exercise of share options under the Company's share option scheme.

(e) On 24 January 2013, 47,000,000 new ordinary shares of HK$0.01 each were allotted and issued at a price of HK$0.645 per share by way of placing of new shares under general mandate. The net proceeds of HK$29,931,000 were intended to be used for property investment in Hong Kong in order to enrich the Group's investment properties portfolio.

(f) On 26 April 2013, 152,224,414 new ordinary shares of HK$0.01 each were allotted and issued at a subscription price of HK$1.20 per share by way of open offer to the qualifying shareholders of the Company on the basis of one new ordinary share for every two existing ordinary shares held on 5 April 2013. The net proceeds of HK$180,277,000 were intended to be used for financing the expansion of the loan portfolio of the Group's money lending business and the potential subscription of the convertible notes to be issued by a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

21. Disposal of subsidiaries

On 6 June 2013, the Group entered into an agreement to dispose of the entire issued share capital of East Legend to an independent third party at a cash consideration of HK$12,505,000. The disposal was completed on 6 June 2013. Details of the assets and liabilities of East Legend were set out as follows:

	HK$'000 **(Unaudited)**
Property, plant and equipment	62
Investment properties	12,000
Cash and cash equivalents	240
Accruals and other payables	(5)
Rental deposits received	(78)
Amount due to an immediate holding company	(11,126)
Deferred taxation	(7)
	1,086
Assignment of amount due to an immediate holding company	11,126
Net assets disposed of	12,212
Gain on disposal of a subsidiary:	
Cash consideration received	12,505
Net assets disposed of	(12,212)
	293
Net cash inflow on disposal of a subsidiary:	
Cash consideration received	12,505
Less: cash and cash equivalents disposed of	(240)
	12,265

21. Disposal of subsidiaries *(Continued)*

On 6 June 2013, the Group also entered into an agreement to dispose of the entire issued share capital of Goway to an independent third party at a cash consideration of HK$12,490,000. The disposal was completed on 6 June 2013. Details of the assets and liabilities of Goway were set out as follows:

	HK$'000 **(Unaudited)**
Property, plant and equipment	68
Investment properties	12,000
Cash and cash equivalents	223
Accruals and other payables	(15)
Rental deposits received	(76)
Amount due to an immediate holding company	(11,126)
Deferred taxation	(5)
	1,069
Assignment of amount due to an immediate holding company	11,126
Net assets disposed of	12,195
Gain on disposal of a subsidiary:	
Cash consideration received	12,490
Net assets disposed of	(12,195)
	295
Net cash inflow on disposal of a subsidiary:	
Cash consideration received	12,490
Less: cash and cash equivalents disposed of	(223)
	12,267

22. Commitments

(a) *Lease commitments*

The Group as lessee

At 30 June 2013, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 30 June 2013 ***HK$'000*** **(Unaudited)**	At 31 December 2012 *HK$'000* (Audited)
Within one year	**1,489**	1,489
In the second to fifth year inclusive	**1,241**	1,985
	2,730	3,474

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

The Group as lessor

Property rental income earned during the period was approximately HK$3,332,000 (year ended 31 December 2012: HK$5,930,000).

At 30 June 2013, the Group had contracted with tenants for the following future minimum lease payments:

	At 30 June 2013 ***HK$'000*** **(Unaudited)**	At 31 December 2012 *HK$'000* (Audited)
Within one year	**55**	2,375
In the second to fifth year inclusive	**—**	729
	55	3,104

22. Commitments *(Continued)*

(b) Other commitments

At 30 June 2013, the Group had other commitments of HK$389,613,000 relating to:

(i) the subscription of the second tranche of convertible notes to be issued by China Star in the principal amount of HK$300,000,000 pursuant to the conditional subscription agreement dated 21 January 2011. The subscription of the second tranche of convertible notes is conditional upon the fulfillment of the conditions precedent set out in the conditional subscription agreement, including the availability of sufficient fund by the Company. On 29 June 2012, the completion date of subscription was extended from 30 June 2012 to 31 December 2013; and

(ii) loans commitment in the aggregate principal amount of HK$89,613,000 pursuant to the building mortgages and the loan agreements entered into between the Group and its customers.

23. Material related party transactions

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

(a) During the six months ended 30 June 2013 and 2012, the Group had the following material transaction with a related party which is carried out on normal commercial terms and in the ordinary course of the Group's business:

		Six months ended 30 June	
		2013	2012
Name of the related party	**Nature of transaction**	***HK$'000*** **(Unaudited)**	*HK$'000* (Unaudited)
Advance Top Limited	Cash advanced by the Group	–	5,390

23. Material related party transactions *(Continued)*

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and other allowances	**5,332**	3,217
Contributions to retirement benefits scheme	**38**	31
Share-based payment expenses	**2,178**	608

(c) Balance with related parties (net of impairment loss):

Name of the related party	**At 30 June 2013** ***HK$'000*** **(Unaudited)**	At 31 December 2012 *HK$'000* Unaudited
Advance Top Limited	**—**	3,528
Spark Concept Group Limited	**3,528**	—

24. Fair value measurements

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

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

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

24. Fair value measurements *(Continued)*

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

Financial assets	Fair value at 30 June 2013 *HK$'000* (Unaudited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Available-for-sale financial assets					
–Listed equity securities	189,690	Level 1	Quoted bid prices in active markets	N/A	N/A
Financial assets at fair value through profit or loss					
– Listed equity securities	65,747	Level 1	Quoted bid prices in active markets	N/A	N/A
– Conversion options embedded in convertible notes receivables	157,963	Level 3	Binomial option pricing model	The underlying share prices of the convertible notes issuers and their volatility based on valuation model. *(notes a and b)*	The fair value measurement is positively correlated to the share prices of the convertible notes issuers and their volatility.

Notes:

(a) If the share prices of those convertible notes issuers had been 15% (year ended 31 December 2012: 15%) higher/lower and all other variables were held constant, the Group's post-tax profit for the six months ended 30 June 2013 would increase/decrease by HK$52,024,000/HK$18,465,000 (year ended 31 December 2012: increase/decrease by HK$13,505,000/HK$13,360,000).

(b) If the volatility of share prices of those convertible notes issuers had been 15% (year ended 31 December 2012: 15%) higher/lower and all other variables were held constant, the Group's post-tax profit for the six months ended 30 June 2013 would increase/decrease by HK$Nil/HK$Nil (year ended 31 December 2012: increase/decrease by HK$1,522,000/HK$1,629,000).

There were no transfers between Level 1 and 2, or transfers into or out of Level 3 in the current and prior periods.

24. Fair value measurements *(Continued)*

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

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the Interim Financial Statements approximate their fair values:

	At 30 June 2013	
	Carrying amount	**Fair value**
	HK$'000	***HK$'000***
	(Unaudited)	**(Unaudited)**
Available-for-sale financial assets		
— Unlisted debt security	**172**	**200**

Fair value measurements and valuation processes

The Company has a designated team to determine the appropriate valuation techniques and inputs for Level 3 fair value measurements.

In estimating the fair value of the conversion options embedded in convertible notes receivables, the Group uses market-observable data to the extent it is available. The Group engages Grant Sherman to perform the valuation of the conversion options embedded in convertible notes receivables at the end of each reporting period. The designated team works closely with Grant Sherman to establish the appropriate valuation techniques and inputs to the valuation model. Where there is material change in the fair value of the conversion options embedded in convertible notes receivables, the cause of the fluctuations will be reported to the management of the Group.

Information about the valuation techniques and inputs used in determining the fair value of assets are disclosed above.

24. Fair value measurements *(Continued)*

Fair value measurements and valuation processes *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets:

	Conversion options embedded in convertible notes receivables *HK$'000*
At 1 January 2013 (audited)	**74,256**
Gain arising on change in fair value of conversion option components	**83,707**
At 30 June 2013 (unaudited)	**157,963**
Total gains or losses for the period included in profit or loss for financial assets held at 30 June 2013 (unaudited)	83,707

The gain arising from the remeasurement of the conversion options embedded in convertible notes receivables is presented in "other gains and losses" in the condensed consolidated statement of profit or loss.

25. Contingent liabilities

At 30 June 2013, the Group had a material contingent liability relating to a claim brought by China Finance & Assets Management Limited ("**China Finance**") in the High Court Action No. 526 of 2010 against Rexdale for failing to pay a service fee in the sum of HK$25,000,000 to China Finance.

No provision for the claim was made in the condensed consolidated financial statements as Lafe Corporation Limited has undertaken to indemnify and keep indemnified the Group against any all losses, claims, damages, penalties, actions, demands, proceedings, judgment and costs arising from or in connection with the claim.

26. Events after the reporting period

Subsequent to 30 June 2013 and up to the date of the Interim Financial Statements, the Group had following material event:

On 4 July 2013, Rexdale disposed of the investment properties located in Kwun Tong at a cash consideration of HK$586,000,000 pursuant to the preliminary sale and purchase agreement dated 20 November 2012 and entered into between Rexdale and an independent third party as amended and supplemented by the supplemental agreement dated 4 July 2013.

27. Approval of Interim Financial Statements

The Interim Financial Statements were approved and authorised for issue by the Board on 28 August 2013.

國衛會計師事務所有限公司
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31st Floor
Gloucester Tower
The Landmark
11 Pedder Street
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Hong Kong

INDEPENDENT REVIEW REPORT
TO THE BOARD OF DIRECTORS OF
ETERNITY INVESTMENT LIMITED
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 3 to 39, which comprise the condensed consolidated statement of financial position of Eternity Investment Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as of 30 June 2013 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

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

Hong Kong, 28 August 2013

Financial Review

Results of operations

During the six months ended 30 June 2013, the Group recorded revenue of HK$8,965,000, an 80.28% decrease from HK$45,472,000 for the same period of previous year. Of the total turnover, HK$5,323,000 or 59.38% was generated from money lending, HK$3,332,000 or 37.17% was generated from property investment, HK$277,000 or 3.09% was generated from provision of management services and HK$33,000 or 0.36% was generated from sale of financial assets. Profit for the six months ended 30 June 2013 amounted to HK$129,643,000, a 42.30% increase from HK$91,105,000 for the correspondence period in 2012. This increase was mainly attributable to a HK$66,338,000 increase in gain arising on change in fair value of conversion options embedded in convertible notes receivables, a HK$23,349,000 decrease in impairment loss on intangible assets and the receipt of dividend income of HK$36,479,000 which are partly offset by a HK$37,854,000 decrease in services fee income, a HK$36,020,000 decrease in gain arising on change in fair value of investment properties and a HK$7,895,000 decrease in imputed interest income on convertible notes receivables.

Investment and other income increased by 3,130.61% from HK$1,173,000 in the six months ended 30 June 2012 to HK$37,895,000 in the six months ended 30 June 2013. This significant increase was attributable to the dividend income of HK$36,479,000 received from China Star Entertainment Limited ("**China Star**", stock code: 326).

Other gains and losses represent items of income and expenses, which are material and/or extraordinary in nature. Major items of other gains and losses recorded by the Group during the six months ended 30 June 2013 are as follows:

(a) the carrying amount of the conversion options embedded in convertible notes receivables was reassessed at the end of the reporting period with reference to the valuations performed by an independent professional valuer. As the closing price of share in China Star surged from HK$0.142 on 31 December 2012 to HK$0.208 on 28 June 2013, the fair value of the conversion options embedded in the convertible notes receivable from China Star increased from HK$74,256,000 at 31 December 2012 to HK$157,963,000 at 30 June 2013. Accordingly, a gain arising on change in fair value of the conversion options embedded in convertible notes receivables of HK$83,707,000 was recognised;

Financial Review *(Continued)*

Results of operations *(Continued)*

(b) prior to their disposal on 6 June 2013, the directors revalued the Group's two three-storey New Territories Small Houses located in Ma Yau Tong, Sai Kung, New Territories to market value of HK$24,000,000 with reference to the property valuations performed by the independent professional valuer. As the market value of the two three-storey New Territories Small Houses exceeded their carrying amounts by HK$2,060,000, a gain arising on change in fair value of investment properties of HK$2,060,000 was recognised. In addition, at the end of the reporting period, the directors revalued the Group's investment properties (the "**Kwun Tong Property**") located in Kwun Tong, Kowloon to market value of HK$599,000,000 with reference to the property valuation performed by another independent professional valuer. Accordingly, a loss arising on change in fair value of investment properties of HK$4,000,000 was recognised; and

(c) in the six months ended 30 June 2013, the convertible notes receivable from China Star and Koffman Corporate Service Limited ("**Koffman**"), a Hong Kong private company, generated imputed interest income of HK$20,506,000 to the Group.

Administrative expenses (before depreciation) amounted to HK$16,785,000 for the six months ended 30 June 2013, a 56.24% increase from HK$10,743,000 for the same period of previous year. This increase was mainly attributable to a HK$5,189,000 increase in share-based payment expenses.

For the six months ended 30 June 2013, China Media and Films Holdings Limited ("**China Media**", stock code: 8172), an associate company of the Group, and its subsidiaries reported a consolidated loss of HK$6,085,000 and contributed a loss of HK$1,764,000 to the Group.

For the six months ended 30 June 2013, Spark Concept Group Limited ("**Spark Concept**"), an associate company of the Group, and its subsidiaries reported a consolidated loss of HK$1,752,000. As the Group's share of post-acquisition losses equals to its interests in Spark Concept, no further share of loss was recognised.

Financial Review *(Continued)*

Liquidity and financial resources

During the six months ended 30 June 2013, 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$1,521,954,000 at 31 December 2012 to HK$1,929,078,000 at 30 June 2013.

At 30 June 2013, the cash and bank balances of the Group amounted to HK$396,448,000 (31 December 2012: HK$297,967,000).

At 30 June 2013, the Group had no borrowings (31 December 2012: Nil).

Net current assets and current ratio

At 30 June 2013, the Group's net current assets and current ratio were HK$1,793,536,000 (31 December 2012: HK$1,000,231,000) and 23.27 (31 December 2012: 13.61), respectively.

Capital structure

During the six months ended 30 June 2013, the capital structure of the Company had the following changes:

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

(b) on 26 April 2013, the Company allotted and issued 152,224,414 new shares at a subscription price of HK$1.20 per share by way of open offer to the qualifying shareholders of the Company on the basis of one new share for every two existing shares held on 5 April 2013 raising HK$180,277,000 (net of expenses) for financing the expansion of the loan portfolio of the Group's money lending business and/or the potential subscription of the convertible bonds to be issued by a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Financial Review *(Continued)*

Material acquisitions

During the six months ended 30 June 2013, the Group had no material acquisitions.

Material disposals

During the six months ended 30 June 2013, the Group had no material disposals.

Pledge of assets

At 30 June 2013, no assets of the Group were pledged.

Commitments

At 30 June 2013, the Group had a total commitment of HK$389,613,000 relating to:

(a) the subscription of the second tranche of convertible notes to be issued by China Star in the principal amount of HK$300,000,000 pursuant to the conditional subscription agreement dated 21 January 2011. The subscription of the second tranche of convertible notes is conditional upon the fulfillment of the conditions precedent set out in the conditional subscription agreement, including the availability of sufficient fund by the Company. On 29 June 2012, the completion date of subscription was extended from 30 June 2012 to 31 December 2013; and

(b) loans commitment in the aggregate principal amount of HK$89,613,000 pursuant to the building mortgages and the loan agreements entered into between the Group and its customers.

Exchange risk and hedging

During the six months ended 30 June 2013, all 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.

Financial Review *(Continued)*

Contingent liabilities

At 30 June 2013, the Group had a material contingent liability relating to a claim brought by China Finance & Assets Management Limited ("**China Finance**") in the High Court Action No. 526 of 2010 against Rexdale Investment Limited ("**Rexdale**"), a wholly owned subsidiary of the Company, for failing to pay a service fee in the sum of HK$25,000,000 to China Finance.

No provision for the claim was made in the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2013 as Lafe Corporation Limited has undertaken to indemnify and keep indemnified the Group against any and all losses, claims, damages, penalties, actions, demands, proceeding, judgment and costs arising from or in connection with the claim.

Employees and remuneration policy

At 30 June 2013, the headcount of the Group was 13 (2012: 12). Staff costs (including directors' remuneration) amounted to HK$8,552,000 (2012: HK$4,107,000). 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 2013, 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. In addition, no film has yet been produced by China Media for distribution by the Group during the period under review.

With the talk of an early quantitative easing exist by the Federal Reserve and the liquidity squeeze in the Mainland China's money market, Hong Kong equities experienced a volatile first half in 2013. As the directors recognise market volatility can often coincide with a good opportunity to invest, the Group acquired equities with market price of HK$36,714,000 during the six months ended 30 June 2013. The Group disposed of equities with market price of HK$149,000 and recorded a gain of HK$33,000 from the disposal. At 30 June 2013, the Group revalued its equities portfolio to market price of HK$65,747,000 and recorded a gain arising on change in fair value of financial assets at fair value through profit or loss of HK$3,950,000.

Operations Review *(Continued)*

On 18 February 2013, the directors proposed to seek approvals from the shareholders for (i) exercising the conversion rights attaching to the bonus convertible notes issued by China Star in the aggregate principal amount of HK$6,079,806.76 to convert their principal amount into 607,980,676 new shares in China Star (the "**Conversion**") and (ii) granting a 12-month mandate to the Company for disposing of the 303,990,338 shares in China Star that already held by the Group and the new shares in China Star to be allotted and issued to the Group pursuant to the exercise of the conversion rights attaching to the bonus convertible notes and the convertible notes issued by China Star in the aggregate principal amount of HK$350,000,000 (the "**Disposal**") for realising the Group's investments in China Star. The Conversion and the Disposal were approved by the shareholders at the special general meeting of the Company held on 28 June 2013. During the six months ended 30 June 2013, the Group did not exercise any conversion rights attaching to the bonus convertible notes and the convertible notes and did not dispose of any of shares in China Star. Given that the Disposal was approved by the shareholders, the bonus convertible notes and the 303,990,338 shares in China Star that already held by the Group that accounted for available-for-sale financial assets were reclassified from non-current assets to current assets for financial reporting purposes. As the closing price of share in China Star surged from HK$0.142 on 31 December 2012 to HK$0.208 on 28 June 2013, a net gain arising on revaluation of available-for-sale financial assets of HK$60,191,000 was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

During the six months ended 30 June 2013, the Group's provision of management services business generated services fee income amounted to HK$277,000, a 99.27% decrease as compared to the same period of previous year. The significant decrease was mainly attributable to the termination of management services agreement with Dore Entretenimento Sociedade Unipessoal Limitada, a licensed gaming promoter for Wynn Macau, on 12 September 2012. In addition, the services fee income generated from the Group's remaining management services agreement decreased from HK$649,000 in the six months ended 30 June 2012 to HK$277,000 in the six months ended 30 June 2013. Such decrease reflects the gaming promoter has adopted a tightening credit policy towards its Mainland Chinese VIP customers in response to the slowdown of the Mainland Chinese economy. At 30 June 2013, the directors reassessed the carrying amount of the management services agreement held by the Group with reference to the independent valuation and an impairment loss on intangible asset of HK$3,762,000 was recognised.

Operations Review *(Continued)*

During the six months ended 30 June 2013, the Group's property investment business generated a rental income of HK$3,332,000. On 2 January 2013, the Group served three-month prior written notices to the tenants of the Kwun Tong Property to terminate their tenancies for delivering vacant possession of all units of the Kwun Tong Property to Grand Reward Limited upon completion pursuant to the preliminary sale and purchase agreement dated 20 November 2012 and entered into between Rexdale as vendor and Grand Reward Limited as purchaser. Subsequently, as requested by certain tenants of the Kwun Tong Property and having discussed with Grand Reward Limited, on 27 June 2013, Rexdale and the tenants entered into tenancy agreements for a term commencing on 2 April 2013 and ending on 4 July 2013, being the expected completion date, in respect of the 10th, 11th and 12th Floors and six car parking spaces of the Kwun Tong Property. On 4 July 2013, Rexdale and Grand Reward Limited entered into a supplemental agreement to amend certain terms of the preliminary sale and purchase agreement to effect that Rexdale shall no longer be required to deliver vacant possession of all units of the Kwun Tong Property on completion and the sale and purchase of the Kwun Tong Property was completed on that date. As the disposal of the Kwun Tong Property was not completed on 30 June 2013, the Kwun Tong Property that accounted for assets classified as held for sale was revalued to market value of HK$599,000,000 and a loss arising on change in fair value of investment properties of HK$4,000,000 was recognised. In view of the deteriorating market conditions following the introduction of new measures by the Hong Kong Government and Hong Kong Monetary Authority for stabilising property prices in February 2013, the Group disposed of and took profit from its two three-storey New Territories Small Houses located in Ma Yau Tong, Sai Kung, New Territories, Hong Kong by selling the entire issued share capital of East Legend Properties Limited ("**East Legend**") and Goway Properties Limited ("**Goway**"), both of them are wholly owned subsidiaries of the Company, at an aggregate cash consideration of HK$24,995,000 on 6 June 2013. Prior to their disposal, each of the two three-storey New Territories Small Houses was revalued to market price of HK$12,000,000 with reference to the property valuations performed by the independent professional valuer appointed by the Group. The considerations were determined with reference to the market value of the two three-storey New Territories Small Houses and adjusted for the net assets value of each of East Legend and Goway at 31 May 2013. As a result, the Group recorded a gain arising on change in fair value of investment properties of HK$2,060,000 and a gain on disposal of subsidiaries of HK$588,000.

Operations Review *(Continued)*

During the six months ended 30 June 2013, the Group's money lending business generated interest income on loans of HK$5,323,000, a 35.93% increase as compared to the same period of previous year. This increase was attributable to an increase in the average monthly balance of loans receivables from HK$40,526,000 in the six months ended 30 June 2012 to HK$101,570,000 in the six months ended 30 June 2013. During the period under review, the Group made new loans in the aggregate principal amount of HK$159,387,000 to its customers and received loans repayment and interest of HK$16,599,000 from its customers. At 30 June 2013, the Group's loans receivables together with accrued interest receivables amounted to HK$208,864,000.

For the purpose of participating in the development EDS Wellness Holdings Limited ("**EDS Wellness**", stock code: 8176 and formerly known as China AU Group Holdings Limited), the Group and EDS Wellness entered into a conditional subscription agreement on 21 March 2013, pursuant to which EDS Wellness has conditionally agreed to issue and the Group has conditionally agreed to subscribe for the convertible notes in the principal amount of HK$40,000,000 at their face value. The convertible notes are unsecured, non-interest bearing and maturing on the date falling 30 months from the date of their issue. Subject to the compliance of the public float requirement by EDS Wellness, the convertible notes carry rights entitling the holders hereof to convert their principal amount into shares in EDS Wellness at an initial conversion price of HK$1.00 per share (subject to adjustment) during their term. Unless previously redeemed, repurchased and cancelled or converted, any outstanding convertible notes shall be redeemed at par on the maturity date. On 21 March 2013, the Group also entered into a conditional loan agreement with EDS Wellness relating to the grant of an unsecured loan in the principal amount of HK$40,000,000 for a term of three years commencing from the date of drawdown. As certain conditions precedent had not been fulfilled, the conditional subscription agreement and the conditional loan agreement remained conditional as at the date of this interim report.

The Group's fixed income portfolio generated imputed interest income of HK$20,506,000 for the six months ended 30 June 2013. As the closing price of share in China Star surged from HK$0.142 on 31 December 2012 to HK$0.208 on 28 June 2013, a gain arising on change in fair value of conversion options embedded in convertible notes receivables of HK$83,707,000 was recognised. At 30 June 2013, the face value of the Group's fixed income portfolio amounted to HK$377,000,000, comprising the convertible notes receivable from China Star of HK$350,000,000 and the convertible note receivable from Koffman of HK$27,000,000.

Operations Review *(Continued)*

In April 2013, Spark Concept and its subsidiaries (the "**Spark Concept Group**") expanded their operations by opening another Japanese noodle shop in Quarry Bay, Hong Kong. On 1 July 2013, the landlord of the European cuisine restaurant in Sheung Wan, Hong Kong served a written notice to the Spark Concept Group to terminate its tenancy with the Spark Concept Group on 1 August 2013 by paying three-month rental as compensation. Accordingly, the European cuisine restaurant was closed on 1 August 2013. During the six months ended 30 June 2013, no further cash was advanced to the Spark Concept Group by its shareholders. At 30 June 2013, the Spark Concept Group owed the Group an amount of HK$7,393,000 (before impairment of HK$3,865,000), which is unsecured, interest-free and repayable on demand. Due to the rising in food and labour costs, the Spark Concept Group reported a loss of HK$1,752,000 for the period under review. As the Group's share of post-acquisition losses equals to its interests in Spark Concept, no further share of losses was recognised for the six months ended 30 June 2013.

Future Prospects

The directors believe Hong Kong equities remain volatile in the remainder of 2013 as the United States economic data continues its moderately improving trend and the new leadership of Mainland China under Mr. Xi Jinping appears willing to sacrifice some growth in order to focus more on structural reforms. The directors also believe market volatility can often coincide with a good opportunity to the Group to invest. As such, the Group continues to adopt a conservative investment approach in investing toward the Group's sale of financial assets business.

As the gaming promoter of the remaining management services agreement has adopted a tightening credit policy toward its Mainland Chinese VIP customers in response to the slowdown of the Mainland Chinese economy, the Group's provision of management services business is negatively impacted. It is expected that there will be a slight decrease in the Group's provision of management services business in the second half of 2013.

Future Prospects *(Continued)*

Following the completion of disposal of the Kwun Tong Property on 4 July 2013, the Group does not hold any investment properties. The implementation of Special Stamp Duty, Buyer's Stamp Duty and Doubling Stamp Duty in February 2013 measures, along with the cut in loan-to-value ratio, have effectively suppressed demand by increasing transaction costs. Property sales volume has been contracted. In addition, the market is anxious over the Federal Reserve announcement that it may phase out its quantitative easing program and the slowing growth of the Mainland Chinese economy. The directors believe that property prices are going to decline 10% to 20% from the current level and the Group will cautiously seek opportunity for investing properties in Hong Kong in order to revitalise its property investment business. Given that the carrying amount of the Kwun Tong Property of HK$599,000,000 at 30 June 2013 exceeds the consideration for disposal of HK$586,000,000 by HK$13,000,000, it is expected that the Group will record a loss on disposal of the Kwun Tong Property of HK$13,000,000 plus transaction costs to be incurred in the second half of 2013.

In the second and third quarters of 2013, the Group actively expanded its money lending business by granting loans to new customers. The Group will slow down its pace of expanding money lending business in the remainder of 2013. As most of the new loans were drawn in the second and third quarters of 2013, the directors expect a significant growth in the Group's money lending business in the second half of 2013.

Event after the Reporting Period

On 4 July 2013, Rexdale disposed of the Kwun Tong Property at a cash consideration of HK$586,000,000 pursuant to the preliminary sale and purchase agreement dated 20 November 2012 and entered into between Rexdale and Grand Reward Limited as amended and supplemented by the supplemental agreement dated 4 July 2013.

Additional Information Required by Listing Rules

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: HK$Nil).

Directors' Interests in Shares and Underlying Shares

At 30 June 2013, the interests of the directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

a. Long positions in ordinary shares of HK$0.01 each of the Company

Directors	*Note*	Capacity	Number of issued shares held	Percentage of the issued share capital of the Company
Mr. Lei Hong Wai	*1*	Held by controlled corporations	105,708,000	23.15%
Mr. Cheung Kwok Wai, Elton	*1*	Held by controlled corporations	105,708,000	23.15%
Mr. Cheung Kwok Fan	*1*	Held by controlled corporations	105,708,000	23.15%
Mr. Chan Kin Wah, Billy		Beneficial owner	2,449,500	0.54%

Note:

1. These shares are beneficially owned by Twin Success International Limited. Twin Success International Limited is owned as to 50% by Silver Pacific International Limited and as to 50% by Silver Pacific Development Limited. Silver Pacific International Limited is wholly owned by Mr. Lei Hong Wai. Silver Pacific Development Limited is owned as to 50% by Mr. Cheung Kwok Wai, Elton and as to 50% by Mr. Cheung Kwok Fan.

Directors' Interests in Shares and Underlying Shares *(Continued)*

b. Long positions in underlying ordinary shares of the Company

Directors	Capacity	Number of share options held	Number of underlying shares
Mr. Lei Hong Wai	Beneficial owner	950	950
Mr. Chan Kin Wah, Billy	Beneficial owner	2,962,391	2,962,391

Other than the holdings disclosed above, none of the directors, chief executive and their associates had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 30 June 2013.

Share Option Scheme

Pursuant to an ordinary resolution passed by the shareholders on 12 December 2011, the Company adopted a new share option scheme to replace the share option scheme adopted on 21 January 2002. The principal terms of the share option scheme were disclosed in the Company's 2012 annual report. Details of movements in the Company's share options during the six months ended 30 June 2013 are set out as follows:

		Number of share options					
	Type of share options	Outstanding at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Adjusted for open offer *(note)*	Outstanding at 30 June 2013
Directors and chief executive							
Mr. Lei Hong Wai	2007B	933	–	–	–	17	950
		933	–	–	–	17	950
Mr. Chan Kin Wah, Billy	2004	1,416	–	–	–	25	1,441
	2007B	933	–	–	–	17	950
	2013	–	2,960,000	–	–	–	2,960,000
		2,349	2,960,000	–	–	42	2,962,391
Total directors and chief executive		3,282	2,960,000	–	–	59	2,963,341
Employees and consultants							
	2004	6,803	–	–	–	122	6,925
	2007A	4,507	–	–	–	81	4,588
	2007B	21,723	–	–	–	390	22,113
	2012	380,000	–	–	(386,840)	6,840	–
	2013	–	20,840,000	–	–	–	20,840,000
Total employees and consultants		413,033	20,840,000	–	(386,840)	7,433	20,873,626
Total		416,315	23,800,000	–	(386,840)	7,492	23,836,967
Exercisable at the end of the period							23,836,967

Note:

The numbers of share options are adjusted for the open offer of the Company as completed on 26 April 2013.

Share Option Scheme *(Continued)*

Details of specific categories of share options are as follows:

Share option type	Date of grant	Exercise period	Exercise price
2004	13 December 2004	13 December 2004 to 12 December 2014	HK$6,392.849*
2007A	22 March 2007	22 March 2007 to 21 March 2017	HK$1,549.705*
2007B	31 May 2007	31 May 2007 to 30 May 2017	HK$2,306.876*
2012	4 June 2012	4 June 2012 to 3 June 2013	HK$0.339*
2013	24 May 2013	24 May 2013 to 23 May 2014	HK$1.274

*: The exercise prices are adjusted for the open offer of the Company as completed on 26 April 2013.

Substantial Shareholders

At 30 June 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Substantial Shareholders *(Continued)*

a. Long positions in ordinary shares of HK$0.01 each of the Company

Shareholders	*Notes*	Capacity	Number of issued shares held	Percentage of the issued share capital of the Company
Twin Success International Limited	*1*	Beneficial owner	105,708,000	23.15%
Silver Pacific International Limited	*1 and 2*	Held by controlled corporation	105,708,000	23.15%
Silver Pacific Development Limited	*1 and 3*	Held by controlled corporation	105,708,000	23.15%
Mr. Lei Hong Wai	*1 and 2*	Held by controlled corporations	105,708,000	23.15%
Mr. Cheung Kwok Wai, Elton	*1 and 3*	Held by controlled corporations	105,708,000	23.15%
Mr. Cheung Kwok Fan	*1 and 3*	Held by controlled corporations	105,708,000	23.15%
Asia Vest Partners VII Limited	*4*	Held by controlled corporations	32,373	9.95%
Asia Vest Partners X Limited	*4*	Held by controlled corporations	32,373	9.95%
Asia Vest Partners Limited	*4*	Held by controlled corporations	32,373	9.95%
Mr. Andrew Nan Sherrill	*4*	Held by controlled corporations	32,373	9.95%

Notes:

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

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

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

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

Substantial Shareholders *(Continued)*

b. Long positions in underlying ordinary share of the Company

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

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 30 June 2013.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

Compliance with the Corporate Governance Code

In the opinion of the Board, the Company had complied with the code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the six months ended 30 June 2013, except for:

(a) code provision A.2.1 of the Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the six months ended 30 June 2013, Mr. Lei Hong Wai has taken up the roles of the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Lei possesses essential leadership skills and has extensive experience in corporate management and business development. The Board is of the view that currently vesting the roles of the Chairman and the Chief Executive Officer in the same person provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies; and

Compliance with the Corporate Governance Code *(Continued)*

(b) code provision A.4.1 of the Code requires that non-executive directors should be appointed for a specific term, subject to re-election. All non-executive directors of the Company are not appointed for a specific term, but are subject to retirement from office by rotation and re-election in accordance with the provisions of the Company's bye-laws. At each annual general meeting, one-third of the directors for the time being, (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every director shall be subject to retirement by rotation at least once every three years. As such, the Company considers that such provision is sufficient to meet the underlying objective of this code provision.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules for securities transactions by the directors of the Company. All members of the Board have confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2013.

Review of Financial Information

The audit committee has reviewed the 2013 interim report and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 and agreed to the accounting principles and policies adopted by the Company. In addition, the Company's external auditor, HLB Hodgson Impey Cheng Limited, has reviewed the unaudited condensed consolidated interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Acknowledgement

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

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

Hong Kong, 28 August 2013