



# ETERNITY INVESTMENT LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 764)



**2014**  
INTERIM REPORT

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## 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 (*Chairman*)  
Mr. Wan Shing Chi  
Mr. Ng Heung Yan

### Members of Remuneration Committee

Mr. Ng Heung Yan (*Chairman*)  
Mr. Lei Hong Wai  
Mr. Wan Shing Chi

### Members of Nomination Committee

Mr. Lei Hong Wai (*Chairman*)  
Mr. Wan Shing Chi  
Mr. Ng Heung Yan

### Members of Finance Committee

Mr. Chan Kin Wah, Billy (*Chairman*)  
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

Codan Services Limited  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited  
Share Registration Public Office  
Level 22, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### Auditor

HLB Hodgson Impey Cheng Limited  
Certified Public Accountants

### Principal Bankers

Hang Seng Bank Limited  
Wing Hang Bank, Limited

### Stock Code

764

### Website

[www.etermityinv.com.hk](http://www.etermityinv.com.hk)

### E-mail Address

[enquiry@etermityinv.com.hk](mailto:enquiry@etermityinv.com.hk)

## Interim Results

The board of directors (the “**Board**”) of Eternity Investment Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2014 together with the comparative figures for 2013 as follows:

### Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Continuing operations</b>			
Turnover	3	30,920	8,688
Cost of sales		—	—
Gross profit		30,920	8,688
Investment and other income	4	2,104	37,895
Other gains and losses	5	13,557	107,108
Administrative expenses		(15,993)	(16,841)
Share of results of associates		(555)	(1,764)
Profit from operations	6	30,033	135,086
Finance costs		—	—
Profit before taxation		30,033	135,086
Income tax expense	7	(4,672)	(2,404)
Profit for the period from continuing operations		25,361	132,682
<b>Discontinued operation</b>			
Profit/(loss) for the period from discontinued operation	8	153	(3,039)
<b>Profit for the period</b>		<b>25,514</b>	<b>129,643</b>

## Condensed Consolidated Statement of Profit or Loss (Continued)

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Profit for the period attributable to:</b>			
<b>Owners of the Company</b>		<b>25,515</b>	129,644
<b>Non-controlling interests</b>		<b>(1)</b>	(1)
		<b>25,514</b>	129,643
<b>Interim dividend</b>	9	—	—
<b>Earnings/(loss) per share</b>	10		
<b>From continuing operations</b>			
— Basic and diluted		<b>HK4.91 cents</b>	HK37.60 cents
<b>From discontinued operation</b>			
— Basic and diluted		<b>HK0.03 cent</b>	(HK0.86 cent)
<b>From continuing and discontinued operations</b>			
— Basic and diluted		<b>HK4.94 cents</b>	HK36.74 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

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2014</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2013 <i>HK\$'000</i> (Unaudited)
<b>Profit for the period</b>		<b>25,514</b>	129,643
<b>Other comprehensive income for the period</b>			
Item that may be subsequently reclassified to profit or loss:			
Net (loss)/gain arising on revaluation of available-for-sale financial assets	15	<b>(733)</b>	60,191
<b>Total comprehensive income for the period</b>		<b>24,781</b>	189,834
<b>Total comprehensive income for the period attributable to:</b>			
<b>Owners of the Company</b>		<b>24,782</b>	189,835
<b>Non-controlling interests</b>		<b>(1)</b>	(1)
		<b>24,781</b>	189,834

The accompanying note forms an integral part of these condensed consolidated financial statements.

## Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	<b>At 30 June 2014 HK\$'000 (Unaudited)</b>	At 31 December 2013 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	57	89
Investment properties		—	—
Intangible assets	12	—	1,929
Interests in associates	13	—	46,916
Convertible notes receivables	14	5,201	24,602
Available-for-sale financial assets	15	52,229	172
Loans receivables	16	671,000	605,148
		<b>728,487</b>	678,856
<b>Current assets</b>			
Trade receivables	17	—	37
Loans receivables	16	282,852	168,476
Deposits, prepayments and other receivables	22(c)	312,858	11,191
Amount due from an associate	22(c)	3,528	3,528
Financial assets at fair value through profit or loss		342,458	49,046
Convertible notes receivables	14	—	200,840
Conversion options embedded in convertible notes receivables	18	31,305	77,572
Cash and cash equivalents		252,065	662,153
		<b>1,225,066</b>	1,172,843
<b>Total assets</b>		<b>1,953,553</b>	1,851,699

## Condensed Consolidated Statement of Financial Position (Continued)

	Notes	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	19	5,477	4,567
Reserves		1,918,611	1,820,805
<b>Equity attributable to owners of the Company</b>		<b>1,924,088</b>	1,825,372
Non-controlling interests		(4)	(3)
<b>Total equity</b>		<b>1,924,084</b>	1,825,369
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accruals and other payables		8,754	10,056
Tax payable		20,715	16,043
		<b>29,469</b>	26,099
<b>Non-current liability</b>			
Deferred taxation		—	231
<b>Total liabilities</b>		<b>29,469</b>	26,330
<b>Total equity and liabilities</b>		<b>1,953,553</b>	1,851,699
<b>Net current assets</b>		<b>1,195,597</b>	1,146,744
<b>Total assets less current liabilities</b>		<b>1,924,084</b>	1,825,600

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 2014

	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	Other reserve	Retained profits	Sub-total	Non-controlling interests	Total
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
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
Share issue expenses	–	(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
At 1 January 2014	4,567	450,263	19,844	404,663	16,929	–	1,240	927,866	1,825,372	(3)	1,825,369
Profit for the period	–	–	–	–	–	–	–	25,515	25,515	(1)	25,514
Other comprehensive income for the period	–	–	–	–	–	–	–	–	–	–	–
Net loss arising on revaluation of available-for-sale financial assets	–	–	–	–	–	(733)	–	–	(733)	–	(733)
Total comprehensive income for the period	–	–	–	–	–	(733)	–	25,515	24,782	(1)	24,781
Placing of new shares	910	70,070	–	–	–	–	–	–	70,980	–	70,980
Share issue expenses	–	(790)	–	–	–	–	–	–	(790)	–	(790)
Release of reserve upon deemed disposal of an associate	–	–	–	–	–	–	(1,240)	–	(1,240)	–	(1,240)
Release of reserve upon disposal of a subsidiary	–	–	(11)	–	–	–	–	–	(11)	–	(11)
Share-based payment expenses	–	–	–	–	4,995	–	–	–	4,995	–	4,995
Release on lapse of share options	–	–	–	–	(7,081)	–	–	7,081	–	–	–
At 30 June 2014	5,477	519,543	19,833	404,663	14,843	(733)	–	960,462	1,924,088	(4)	1,924,084

## Condensed Consolidated Statement of Cash Flows

	<b>Six months ended 30 June</b>	
	<b>2014</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2013 <i>HK\$'000</i> (Unaudited)
<b>Net cash used in operating activities</b>	<b>(484,529)</b>	(188,013)
<b>Net cash generated from investing activities</b>	<b>4,251</b>	76,286
<b>Net cash generated from financing activities</b>	<b>70,190</b>	210,208
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(410,088)</b>	98,481
<b>Cash and cash equivalents at beginning of the period</b>	<b>662,153</b>	297,967
<b>Cash and cash equivalents at end of the period</b>	<b>252,065</b>	396,448
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	<b>252,065</b>	396,448

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

### 1. Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standard (“**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 condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

### 2. Application of new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”)

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2013, 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 2014.

HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27 (Revised in 2011) (Amendments)	Investment Entities
HK(IFRIC) – Int 21	Levies

The application of the new and revised HKFRSs has no material effect on the condensed consolidated financial statements for the current or prior accounting periods.

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

For the six months ended 30 June 2014

### 2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

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

HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>3</sup>
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants <sup>3</sup>
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions <sup>1</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle <sup>2</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle <sup>1</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39 <sup>5</sup>
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations <sup>3</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>5</sup> No mandatory effective date yet determined but is available for adoption.

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.

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

For the six months ended 30 June 2014

### 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 the following 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)	Money lending	Money lending

The segment of provision of management services was discontinued in the current period.

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

For the six months ended 30 June 2014

### 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 2014 and 2013 by operating segments are as follow:

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

##### Six months ended 30 June 2014

	Continuing operations				Discontinued operation		Consolidated HK\$'000 (Unaudited)
	Distribution HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Sale of financial assets HK\$'000 (Unaudited)	Money lending HK\$'000 (Unaudited)	Provision of management services		
					Sub-total HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	
<b>Revenue</b>							
Segment revenue from external customers	-	-	(5,037)	35,957	30,920	158	31,078
<b>Results</b>							
Segment profit/(loss)	115	1,053	(33,305)	35,499	3,362	153	3,515
Interest income on bank deposits					2,104	-	2,104
Unallocated corporate income					-	-	-
Unallocated corporate expenses					(16,457)	-	(16,457)
Finance costs					-	-	-
Gain arising on change in fair value upon conversion of convertible notes receivables					28,461	-	28,461
Gain on deemed disposal of an associate					7,669	-	7,669
Gain on disposal of subsidiaries					312	-	312
Gain on early redemption of convertible notes receivables					1,611	-	1,611
Imputed interest income on convertible notes receivables					7,670	-	7,670
Loss arising on change in fair value of conversion options embedded in convertible notes receivables					(4,144)	-	(4,144)
Share of results of associates					(555)	-	(555)
Profit before taxation					30,033	153	30,186
Income tax expense					(4,672)	-	(4,672)
Profit for the period					25,361	153	25,514

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

For the six months ended 30 June 2014

### 3. Operating segments (Continued)

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

At 30 June 2014

	Continuing operations					Discontinued operation	Consolidated HK\$'000 (Unaudited)
	Distribution HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Sale of financial assets HK\$'000 (Unaudited)	Money lending HK\$'000 (Unaudited)	Sub-total HK\$'000 (Unaudited)	Provision of management services	
						HK\$'000 (Unaudited)	
<b>Assets</b>							
Segment assets for reportable segment							
– Hong Kong	271	1,636	643,151	953,852	1,598,910	–	1,598,910
– Macau	–	–	–	–	–	–	–
	271	1,636	643,151	953,852	1,598,910	–	1,598,910
Unallocated corporate assets							354,643
Consolidated total assets							1,953,553
<b>Liabilities</b>							
Segment liabilities for reportable segment							
– Hong Kong	–	(22)	(6)	(80)	(108)	–	(108)
– Macau	–	–	–	–	–	–	–
	–	(22)	(6)	(80)	(108)	–	(108)
Unallocated corporate liabilities							(29,361)
Consolidated total liabilities							(29,469)

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

For the six months ended 30 June 2014

### 3. Operating segments (Continued)

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

Six months ended 30 June 2013

	Continuing operations				Discontinued operation		Consolidated HK\$'000 (Unaudited)
	Distribution HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Sale of financial assets HK\$'000 (Unaudited)	Money lending HK\$'000 (Unaudited)	Provision of management services		
					Sub-total HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	
<b>Revenue</b>							
Segment revenue from external customers	–	3,332	33	5,323	8,688	277	8,965
<b>Results</b>							
Segment (loss)/profit	(14)	(842)	40,339	5,233	44,716	(3,490)	41,226
Interest income on bank deposits					1,402	–	1,402
Unallocated corporate income					14	–	14
Unallocated corporate expenses					(14,380)	–	(14,380)
Finance costs					–	–	–
Gain arising on change in fair value of conversion options embedded in convertible notes receivables					83,707	–	83,707
Gain on disposal of subsidiaries					588	–	588
Imputed interest income on convertible notes receivables					20,506	–	20,506
Reversal of impairment loss recognised in respect of interests in an associate					297	–	297
Share of results of associates					(1,764)	–	(1,764)
Profit/(loss) before taxation					135,086	(3,490)	131,596
Income tax (expense)/credit					(2,404)	451	(1,953)
Profit/(loss) for the period					132,682	(3,039)	129,643



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

For the six months ended 30 June 2014

### 3. Operating segments (Continued)

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

At 31 December 2013

	Continuing operations					Discontinued operation	Consolidated
	Distribution	Property investment	Sale of financial assets	Money lending	Sub-total	Provision of management services	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
<b>Assets</b>							
Segment assets for reportable segment							
– Hong Kong	255	971	89,142	788,051	878,419	–	878,419
– Macau	–	–	–	–	–	1,967	1,967
	255	971	89,142	788,051	878,419	1,967	880,386
Unallocated corporate assets							971,313
Consolidated total assets							1,851,699
<b>Liabilities</b>							
Segment liabilities for reportable segment							
– Hong Kong	–	(29)	(2)	(181)	(212)	–	(212)
– Macau	–	–	–	–	–	(231)	(231)
	–	(29)	(2)	(181)	(212)	(231)	(443)
Unallocated corporate liabilities							(25,887)
Consolidated total liabilities							(26,330)

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

For the six months ended 30 June 2014

### 3. Operating segments (Continued)

(b) Other segment information

#### Six months ended 30 June 2014

	Continuing operations					Discontinued operation		
	Distribution HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Sale of financial assets HK\$'000 (Unaudited)	Money lending		Sub-total HK\$'000 (Unaudited)	Provision of management services HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
				Unallocated HK\$'000 (Unaudited)				
Amounts included in the measure of segment profit/(loss) and segment assets								
Depreciation of property, plant and equipment	-	8	24	-	-	32	-	32
Gain on disposal of property, plant and equipment	129	-	-	-	-	129	-	129
Loss arising on change in fair value of financial assets at fair value through profit or loss	-	-	(28,151)	-	-	(28,151)	-	(28,151)

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

For the six months ended 30 June 2014

### 3. Operating segments (Continued)

(b) Other segment information (Continued)

Six months ended 30 June 2013

Distribution	Continuing operations					Discontinued operation	
	Property investment	Sale of		Unallocated	Sub-total	Provision of management services	
		financial assets	Money lending			Consolidated	
HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	

**Amounts included in the measure of segment (loss)/profit and segment assets**

Additions to property, plant and equipment	-	12	-	-	-	12	-	12
Depreciation of property, plant and equipment	-	32	29	-	-	61	-	61
Dividend income	-	-	36,479	-	-	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	-	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)	-	(1,940)

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

For the six months ended 30 June 2014

### 3. Operating segments (Continued)

(c) Geographical segments – Turnover

	Continuing operations Six months ended 30 June		Discontinued operation Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Hong Kong	30,920	8,688	—	—
Macau	—	—	158	277
	<b>30,920</b>	8,688	<b>158</b>	277

Certain comparative figures have been reclassified to conform to the change of resources allocation in the current period.

### 4. Investment and other income

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Continuing operations</b>		
Dividend income	—	36,479
Interest income on bank deposits	2,104	1,402
Sundry income	—	14
	<b>2,104</b>	37,895

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

For the six months ended 30 June 2014

### 5. Other gains and losses

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Continuing operations</b>		
Gain arising on change in fair value upon conversion of convertible notes receivables	28,461	—
Gain on deemed disposal of an associate	7,669	—
Gain on disposal of property, plant and equipment	129	—
Gain on disposal of subsidiaries	312	588
Gain on early redemption of convertible notes receivables	1,611	—
Imputed interest income on convertible notes receivables	7,670	20,506
Loss arising on change in fair value of investment properties	—	(1,940)
(Loss)/gain arising on change in fair value of conversion options embedded in convertible notes receivables	(4,144)	83,707
(Loss)/gain arising on change in fair value of financial assets at fair value through profit or loss	(28,151)	3,950
Reversal of impairment loss recognised in respect of interest in an associate	—	297
	<b>13,557</b>	<b>107,108</b>

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

For the six months ended 30 June 2014

### 6. Profit from operations

Profit from operations has been arrived at after charging:

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Continuing operations</b>		
Depreciation of property, plant and equipment	32	61
Operating lease rentals in respect of rented premises	804	1,100
Share-based payment expenses in respect of consultancy services	3,377	4,195
Staff costs including directors' emoluments:		
— salaries and other allowances	8,225	5,613
— contributions to retirement benefits scheme	55	53
— share-based payment expenses	1,618	2,886
	<b>9,898</b>	8,552

### 7. Income tax expense

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Continuing operations</b>		
Current tax expense	<b>(4,672)</b>	(2,404)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2014 (six months ended 30 June 2013: 16.5%).

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

For the six months ended 30 June 2014

### 8. Discontinued operation

The provision of management services operation was disposed of on 11 June 2014, details of which were set out in note 20 to the condensed consolidated financial statements.

The results and cash flows of the discontinued operation for the current and prior periods were as follows:

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover	158	277
Impairment loss recognised in respect of intangible assets	—	(3,762)
Administrative expenses	(5)	(5)
Profit/(loss) from operation	153	(3,490)
Finance costs	—	—
Profit/(loss) before taxation	153	(3,490)
Income tax credit	—	451
Profit/(loss) for the period from discontinued operation	153	(3,039)
Net cash flow from operating activity	—	—

### 9. Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: HK\$Nil).

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

For the six months ended 30 June 2014

### 10. Earnings/(loss) per share From continuing and discontinued operations

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company	25,515	129,644

	Number of ordinary shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	515,999	352,883

### From continuing operations

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company	25,362	132,683

	Number of ordinary shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	515,999	352,883



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

For the six months ended 30 June 2014

### 10. Earnings/(loss) per share (Continued) From discontinued operation

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Profit/(loss) for the period attributable to owners of the Company	153	(3,039)

	Number of ordinary shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	515,999	352,883

Diluted earnings/(loss) per share for the six months ended 30 June 2014 and 30 June 2013 were the same as the basic earnings/(loss) per share as the Company's outstanding share options were anti-dilutive and had no dilutive effect.

### 11. Property, plant and equipment

During the six months ended 30 June 2014, the Group did not acquire any property, plant and equipment (year ended 31 December 2013: HK\$13,000). Items of fully depreciated property, plant and equipment were disposed of during the six months ended 30 June 2014 (year ended 31 December 2013: HK\$Nil), resulting a gain on disposal of approximately HK\$129,000 (year ended 31 December 2013: HK\$Nil).

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

For the six months ended 30 June 2014

### 12. Intangible assets

	HK\$'000
<b>Cost:</b>	
At 1 January 2013, 31 December 2013 and 1 January 2014	456,857
Disposal of a subsidiary	(456,857)
<hr/>	
At 30 June 2014	—
<b>Accumulated impairment:</b>	
At 1 January 2013	451,135
Impairment loss recognised	3,793
<hr/>	
At 31 December 2013 and 1 January 2014	454,928
Written back on disposal of a subsidiary	(454,928)
<hr/>	
At 30 June 2014	—
<b>Carrying amount:</b>	
<b>At 30 June 2014 (unaudited)</b>	<b>—</b>
<hr/>	
At 31 December 2013 (audited)	1,929
<hr/>	

The intangible assets represent the carrying amount of services agreement held by Rich Daily Group Limited (“**Rich Daily**”), a wholly owned subsidiary of the Company and a management services provider to the concierge department of a gaming promoter in Macau. The services agreement has an indefinite useful life and no amortisation has been made.

On 30 May 2014, Riche (BVI) Limited (“**Riche (BVI)**”), a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Mr. Ng Cheuk Fai, an independent third party, relating to the disposal of entire equity interest of Rich Daily at a cash consideration of HK\$2,000,000. The disposal was completed on 11 June 2014.

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

For the six months ended 30 June 2014

### 13. Interests in associates

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
<b>Unlisted</b>		
Cost of investment in an associate	—	—
Share of post-acquisition profits and other comprehensive income, net of dividends received	—	—
	—	—
<b>Listed in Hong Kong</b>		
Cost of investment in an associate	—	51,324
Share of post-acquisition profits, other comprehensive income and other reserve, net of dividends received	—	(4,408)
	—	46,916
Less: impairment loss recognised in respect of interests in associates	—	—
	—	46,916
Market value of listed shares	—	46,925
Reconciliation of impairment loss recognised in respect of interests in associates:		
At beginning of the period/year	—	6,137
Reversal of impairment loss recognised	—	(6,137)
At end of the period/year	—	—

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

For the six months ended 30 June 2014

### 13. Interests in associates (Continued)

On 15 April 2014, China Star Cultural Media Group Limited ("China Star Cultural", formerly known as China Media and Films Holdings Limited) allotted and issued 100,000,000 new shares to not less than six placees at a price of HK\$0.23 per share by way of placing of new shares under general mandate. The Group's interest in China Star Cultural was diluted from 29.00% to 24.21%.

On 17 June 2014, China Star Cultural allotted and issued 300,000,000 new shares to not less than six placees at a price of HK\$0.28 per share by way of placing of new shares under specific mandate. The Group's interest in China Star Cultural was further diluted from 24.21% to 16.19%.

Accordingly, a gain on deemed disposal of an associate of HK\$7,669,000 was recognised in the condensed consolidated statement of profit or loss and the remaining 16.19% equity interest in China Star Cultural was reclassified as available-for-sale financial assets.

### 14. Convertible notes receivables

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
At beginning of the period/year	225,442	323,160
Subscription of convertible notes (note a)	4,551	—
Imputed interest income on convertible notes receivables	7,670	38,233
Interest income received on convertible notes receivables	(4,241)	(25,507)
Early redemption of convertible notes (note b)	(25,389)	—
Conversion of convertible notes (note c)	(202,832)	(110,444)
At end of the period/year	5,201	225,442
Analysed for reporting purposes as:		
Current assets (note c)	—	200,840
Non-current assets (notes a and b)	5,201	24,602
	5,201	225,442

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

For the six months ended 30 June 2014

### 14. Convertible notes receivables (Continued)

Notes:

(a) EDS Wellness Holdings Limited (“**EDS Wellness**”)

On 22 May 2014, EDS Wellness issued the convertible notes in the aggregate principal amount of HK\$40,000,000 to the Group. The convertible notes are unsecured, non-interest bearing and maturing on 21 November 2016.

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.

The debt component of convertible notes is measured at amortised cost and the effective interest rate of the debt components is 130.32% per annum. The conversion option component is presented as conversion options embedded in convertible notes receivables in the condensed consolidated statement of financial position.

(b) Koffman Corporate Service Limited (“**Koffman**”)

On 30 May 2014, the entire convertible notes in the aggregate principal amounts of HK\$27,000,000 were early redeemed by Koffman at par. Accordingly, a gain arising on early redemption of convertible notes receivables of HK\$1,611,000 was recognised in the condensed consolidated statement of profit or loss.

(c) China Star Entertainment Limited (“**China Star**”)

On 28 March 2014, the Group converted the remaining convertible notes receivable from China Star in the principal amount of HK\$225,000,000 into 2,045,454,545 new shares in China Star at the adjusted conversion price of HK\$0.11 per share. Accordingly, a gain arising on change in fair value upon conversion of convertible notes receivables of HK\$28,461,000 was recognised in the condensed consolidated statement of profit or loss.

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

For the six months ended 30 June 2014

### 15. Available-for-sale financial assets

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
<b>Listed equity securities in Hong Kong, at fair value</b>		
At beginning of the period/year	—	129,499
Reclassification from interests in associates (Note)	<b>52,790</b>	—
Conversion of bonus convertible notes	—	(82,949)
Disposals	—	(41,280)
Net loss arising on revaluation of available-for-sale financial assets	<b>(733)</b>	(5,270)
	<b>52,057</b>	—
<b>Unlisted debt security</b>		
Club debenture	<b>172</b>	172
At end of the period/year	<b>52,229</b>	172

Note: On 17 June 2014, China Star Cultural allotted and issued 300,000,000 new shares by way of placing under specific mandate. The Group's interest in China Star Cultural was diluted from 24.21% to 16.19% and reclassified from interests in associates to available-for-sale financial assets.

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

For the six months ended 30 June 2014

### 16. Loans receivables

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Loans to customers	947,000	763,186
Accrued interest receivables	6,852	10,438
	<b>953,852</b>	773,624
Less: impairment loss recognised	—	—
	<b>953,852</b>	773,624

All loans are denominated in Hong Kong Dollars. The loans receivables carry fixed effective interest ranging approximately from 2.5% to 30.0% per annum (for the year ended 31 December 2013: 2.5% to 48.0% per annum). 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 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
<b>Current assets</b>		
Within one year	282,852	168,476
<b>Non-current assets</b>		
Over one year but within two years	610,000	605,148
Over two years but within five years	61,000	—
	<b>953,852</b>	773,624

At 30 June 2014, certain loans amounted to approximately HK\$251,000,000 (31 December 2013: HK\$315,148,000) are secured by personal guarantees, undated share charges and the pledge of the customers' properties at fair value of HK\$Nil (31 December 2013: HK\$258,600,000).

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

For the six months ended 30 June 2014

### 17. Trade receivables

	<b>At 30 June 2014 HK\$'000 (Unaudited)</b>	At 31 December 2013 HK\$'000 (Audited)
0 – 30 days	—	37
Over 90 days	—	396
	—	433
Less: impairment loss recognised	—	(396)
	—	37

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

### 18. Conversion options embedded in convertible notes receivables

	<b>At 30 June 2014 HK\$'000 (Unaudited)</b>	At 31 December 2013 HK\$'000 (Audited)
At beginning of the period/year	<b>77,572</b>	74,256
Subscription of convertible notes		
—conversion option components	<b>35,449</b>	—
(Loss)/gain arising on change in fair value of conversion option components	<b>(4,144)</b>	29,836
Conversion of convertible notes	<b>(77,572)</b>	(26,520)
At end of the period/year	<b>31,305</b>	77,572



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

For the six months ended 30 June 2014

### 18. Conversion options embedded in convertible notes receivables (Continued)

Notes:

(a) EDS Wellness

Binomial option pricing model is used for determining the fair value of the conversion option component. The inputs to the model at 30 June 2014 and 22 May 2014 (being the date of subscription) are as follows:

	At 30 June 2014	At 22 May 2014 (date of subscription)
Stock price	HK\$3.46	HK\$3.80
Conversion price	HK\$1.00 per share	HK\$1.00 per share
Volatility	70.11%	68.50%
Dividend yield	Zero	Zero
Option life	2.40 years	2.51 years
Risk-free rate	0.57%	0.54%

(b) Koffman

Binomial option pricing model is used for determining the fair value of the conversion option component. The inputs to the model at 30 May 2014 (being the date of early redemption) and 31 December 2013 are as follows:

	At 30 May 2014 (date of early redemption)	At 31 December 2013
Stock price	HK\$6.9	HK\$6.5
Conversion price	HK\$60 per share	HK\$60 per share
Volatility	37.71%	40.30%
Dividend yield	Zero	Zero
Option life	0.81 year	1.23 years
Risk-free rate	0.15%	0.235%

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

For the six months ended 30 June 2014

### 18. Conversion options embedded in convertible notes receivables (Continued)

Notes (Continued):

- (c) China Star  
Binomial option pricing model is used for determining the fair value of the conversion option component. The inputs to the model at 30 June 2014 and 31 December 2013 are as follows:

	At 30 June 2014	At 31 December 2013
Stock price	N/A	HK\$0.119
Conversion price	N/A	HK\$0.11 per share
Volatility	N/A	71.96%
Dividend yield	N/A	Zero
Option life	N/A	2.52 years
Risk-free rate	N/A	0.524%

### 19. Share capital

	Number of shares '000	Share capital HK\$'000
<b>Ordinary shares of HK\$0.01 each (2013: HK\$0.01 each)</b>		
<b>Authorised:</b>		
At 1 January 2013, 31 December 2013, 1 January 2014 and 30 June 2014	<b>10,000,000</b>	<b>100,000</b>
<b>Issued and fully paid:</b>		
At 1 January 2013	257,449	2,574
Placing of new shares (note a)	47,000	470
Open offer of new shares (note b)	152,224	1,523
At 31 December 2013 and 1 January 2014 (audited)	456,673	4,567
Placing of new shares (note c)	91,000	910
<b>At 30 June 2014 (unaudited)</b>	<b>547,673</b>	<b>5,477</b>

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

For the six months ended 30 June 2014

### 19. Share capital *(Continued)*

Notes:

- (a) 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 ordinary share by way of placing of new shares under general mandate. The net proceeds from the placing 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.
- (b) 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 ordinary 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, raising HK\$180,277,000 (net of expenses), of which HK\$40,000,000 was intended to be used for financing the proposed subscription of the convertible notes to be issued by EDS Wellness, HK\$40,000,000 was intended to be used for financing the proposed granting of an unsecured loan to EDS Wellness and the remaining balance of HK\$100,277,000 was intended to be used for financing the development and expansion of the Group's money lending business.
- (c) On 4 March 2014, 91,000,000 new ordinary shares of HK\$0.01 each were allotted and issued at a price of HK\$0.78 per ordinary share by way of placing of new shares under general mandate. The net proceeds from the placing of HK\$70,190,000 were intended to be used for the Group's money lending business.

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

For the six months ended 30 June 2014

### 20. Disposal of a subsidiary

On 30 May 2014, the Group entered into a conditional sale and purchase agreement relating to the disposal of the entire issued share capital of Rich Daily to Mr. Ng Cheuk Fai, an independent third party, at a cash consideration of HK\$2,000,000. The disposal was completed on 11 June 2014. Details of the assets and liabilities of Rich Daily are set out as follows:

	<b>HK\$'000</b> <b>(Unaudited)</b>
Intangible assets	1,929
Cash and cash equivalents	1
Deferred taxation	(231)
Net assets disposed of	1,699
<b>Gain on disposal of a subsidiary:</b>	
Cash consideration received	2,000
Net assets disposed of	(1,699)
Release of capital reserve	11
	312
<b>Net cash inflow on disposal of a subsidiary:</b>	
Cash consideration received	2,000
Less: cash and cash equivalents disposed of	(1)
	1,999

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

For the six months ended 30 June 2014

### 21. Commitments

- (a) Lease commitments

#### **The Group as lessee**

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

	<b>At 30 June 2014 HK\$'000 (Unaudited)</b>	At 31 December 2013 HK\$'000 (Audited)
Within one year	<b>1,241</b>	1,489
In the second to fifth year inclusive	—	496
	<b>1,241</b>	1,985

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.

- (b) Other commitments

At 30 June 2014, the Group had other commitments of HK\$318,000,000 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 (as amended by the supplemental agreements dated 28 March 2011, 29 June 2012 and 31 December 2013). The subscription of the second tranche of convertible notes is conditional upon the fulfilment of the conditions precedent set out in the conditional subscription agreement, including the availability of sufficient fund by the Company. On 29 June 2012, the completion date of subscription was extended from 30 June 2012 to 31 December 2013. On 31 December 2013, the completion date of subscription was further extended from 31 December 2013 to 31 December 2015; and
- (ii) loans commitment in the aggregate principal amount of HK\$18,000,000 pursuant to the building mortgages and the loan agreements entered into between the Group and its customers.

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

For the six months ended 30 June 2014

### 22. Material related party transactions

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group had entered into the following material related party transactions:

- (a) Remuneration for key management personnel, including amounts paid to the Company's directors and certain of the highest paid employees for the six months ended 30 June 2014 and 2013, is as follows:

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Salaries and other allowances	7,905	5,332
Contributions to retirement benefits scheme	39	38
Share-based payment expenses	1,205	2,178

- (b) On 1 April 2014, Riche (BVI) as purchaser entered into a conditional sale and purchase agreement with Mr. Cheung Kwok Fan, the non-executive director, as vendor relating to the sale and purchase of the entire issued shares in and the shareholder's loan due by Thought Diamond International Limited ("**Thought Diamond**") at a consideration of HK\$286,102,000 (the "**Proposed Acquisition**"). On 25 April 2014, Riche (BVI) entered into a deed of variation with Mr. Cheung Kwok Fan pursuant to which, among others, the consideration for the Proposed Acquisition is increased from HK\$286,102,000 to HK\$310,077,000 in light of the open offer as announced by 21 Holdings Limited ("**21 Holdings**", stock code: 1003) on 25 April 2014 and an irrevocable undertaking given by Thought Diamond in favour of 21 Holdings and the underwriter. The principal assets of Thought Diamond are 143,850,000 shares in 21 Holdings, representing approximately 24.92% of the issued share capital of 21 Holdings. Please refer to the Company's announcements dated 7 and 25 April 2014 for more details. At 30 June 2014, the refundable deposits classified under deposits, prepayments and other receivables of HK\$309,992,000 have been paid to Mr. Cheung Kwok Fan pursuant to the conditional sale and purchase agreement dated 1 April 2014 (as amended by the deed of variation dated 25 April 2014).

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

For the six months ended 30 June 2014

### 22. Material related party transactions (Continued)

(c) Balances with related parties (net of impairment loss, if any):

Name of related party	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Spark Concept Group Limited	3,528	3,528
Mr. Cheung Kwok Fan	309,992	—

### 23. Fair value measurements

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

The Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of the financial instruments 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).

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

For the six months ended 30 June 2014

### 23. Fair value measurements (Continued)

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

Financial assets	Fair value at 30 June 2014 HK\$'000 (Unaudited)	Fair value at 31 December 2013 HK\$'000 (Audited)	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	52,057	–	Level 1	Quoted bid prices in active markets	N/A	N/A
Financial assets at fair value through profit or loss						
– Listed equity securities	342,458	49,046	Level 1	Quoted bid prices in active markets	N/A	N/A
– Conversion options embedded in convertible notes receivables	31,305	77,572	Level 3	Binomial option pricing model	The underlying share prices of the convertible note issuer and its volatility based on valuation model. (notes a and b)	The fair value measurement is positively correlated to the share price of the convertible notes issuer and its volatility.

#### Notes:

- (a) If the share price of the convertible notes issuer had been 15% (year ended 31 December 2013: 15%) higher/lower and all other variables were held constant, the Group's post-tax profit for the six months ended 30 June 2014 would increase/decrease by HK\$5,128,000/HK\$5,128,000 (year ended 31 December 2013: increase/decrease by HK\$17,592,000/HK\$16,465,000).
- (b) If the volatility of share price of the convertible notes issuer had been 15% (year ended 31 December 2013: 15%) higher/lower and all other variables were held constant, the Group's post-tax profit for the six months ended 30 June 2014 would increase/decrease by HK\$Nil/HK\$Nil (year ended 31 December 2013: increase/decrease by HK\$4,575,000/HK\$4,964,000).

There were no transfers between Level 1 and 2, or transfers into or out of Level 3 in the current and prior periods. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.



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

For the six months ended 30 June 2014

### 23. Fair value measurements (Continued)

#### **Fair value of the Group's financial instruments 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 liabilities recognised in the condensed consolidated financial statements approximate their fair values.

	At 30 June 2014		At 31 December 2013	
	Carrying amount HK\$'000 (Unaudited)	Fair Value HK\$'000 (Unaudited)	Carrying amount HK\$'000 (Audited)	Fair Value HK\$'000 (Audited)
<b>Financial assets</b>				
Available-for-sale financial assets				
— Unlisted debt security	172	280	172	250

#### **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 Appraisal Limited ("**Grant Sherman**"), a firm of independent qualified professional valuers, 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.

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

For the six months ended 30 June 2014

### 23. 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

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
At beginning of the period/year	77,572	74,256
Subscription of convertible notes		
– conversion option components	35,449	–
(Loss)/gain arising on change in fair value of conversion option components	(4,144)	29,836
Conversion of convertible notes	(77,572)	(26,520)
<b>At end of the period/year</b>	<b>31,305</b>	<b>77,572</b>
Total unrealised (loss)/gain for the period/year included in profit or loss for assets held at end of period/year	<b>(4,144)</b>	29,836

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

### 24. Contingent liabilities

- (a) On 15 April 2010, a claim was brought by China Finance & Assets Management Limited (“China Finance”) in 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 condensed consolidated financial statements as Life Corporation Limited has undertaken to indemnify and keep indemnified the Group against any and all losses, claims, damages, penalties, actions, demands, proceedings, judgment and costs arising from or in connection with the claim.

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

For the six months ended 30 June 2014

### 24. Contingent liabilities (Continued)

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

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

Riche (BVI) acquired the entire issued share capital of Adelio Holdings Limited, which is the holding company of One Synergy, from Vartan Holdings Limited, an independent third party, pursuant to a sale and purchase agreement dated 25 May 2011. One Synergy acquired the entire issued share capital of Rexdale from Lafe Corporation Limited, being one of the defendants, pursuant to a sale and purchase agreement dated 31 December 2010 (the "**Agreement**"). The entire issued share capital of Rexdale was sold by The Grande (Nominees) Ltd., being one of the plaintiffs, and The Grand Limited to Lafe Corporation Limited on or about 29 June 2007. The principal assets of Rexdale were the whole of the 1st floor and the flat roof, the whole of 6th to 12th floors, roof, external walls, two lavatories, three lorry parking spaces and eight private car parking spaces on the ground floor of an industrial building located in Kwun Tong, Kowloon, Hong Kong with a total gross floor of approximately 139,412 square feet exclusive of lavatories, lorry and private car parking spaces, flat roof and roof (collectively, the "**Kwun Tong Properties**"). The Kwun Tong Properties was sold by Rexdale to Grand Reward Limited, an independent third party, in July 2013.

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

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

For the six months ended 30 June 2014

### 25. Events after the reporting period

Subsequent to 30 June 2014 and up to the date of the condensed consolidated financial statements, the Group had following material events:

- (a) On 2 July 2014, the Group converted HK\$25,000,000 of the convertible notes issued by EDS Wellness into 25,000,000 new shares in EDS Wellness at an initial conversion price of HK\$1.00 per share pursuant to the irrevocable undertaking (the "**Undertaking**") given by the Group in favour of EDS Wellness and Kingston Securities Limited on 25 June 2014. As a result of the conversion, EDS Wellness has become a 65.58% owned subsidiary of the Company.
- (b) On 22 July 2014, the Group subscribed for 12,500,000 new shares in EDS Wellness under the open offer announced by EDS Wellness on 25 June 2014 at a subscription price of HK\$3.00 per share pursuant to the Undertaking.
- (c) On 28 August 2014, EDS Wellness allotted and issued 2,620,000 new shares by way of placing of new shares under general mandate to not less than six placees and the Group's interest in EDS Wellness was diluted from 65.58% to 62.71%.

### 26. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue by the Board on 29 August 2014.



國 衛 會 計 師 事 務 所 有 限 公 司  
**Hodgson Impey Cheng Limited**

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

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

*(Incorporated in Bermuda with limited liability)*

**Introduction**

We have reviewed the condensed consolidated financial statements of Eternity Investment Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 3 to 43, which comprise the condensed consolidated statement of financial position as of 30 June 2014 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 Listing 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, 29 August 2014

## Management Discussion and Analysis

### Financial Review

On 11 June 2014, the Group disposed of the entire issued share capital of Rich Daily Group Limited (“**Rich Daily**”), a wholly owned subsidiary of the Company. The principal activity of Rich Daily is the provision of management services. Accordingly, the results of Rich Daily for the six months ended 30 June 2014 are presented separately as discontinued operation.

Profit attributable to owners of the Company for the six months ended 30 June 2014 from continuing and discontinued operations amounted to HK\$25,515,000, an 80% decrease from HK\$129,644,000 for the previous period.

### Results of continuing operations

During the six months ended 30 June 2014, the Group recorded a revenue of HK\$30,920,000, a 256% increase from HK\$8,688,000 for the previous period. Of the total turnover, HK\$35,957,000 was generated from money lending and a loss of HK\$5,037,000 was generated from sale of financial assets. Profit for the six months ended 30 June 2014 from continuing operations amounted to HK\$25,361,000, an 81% decrease from HK\$132,682,000 for the previous period. This decrease was mainly attributable to the absence of the gain of HK\$83,707,000 arising on change in fair value of conversion options embedded in convertible notes receivables recorded in the six months ended 30 June 2013 and a loss of HK\$28,151,000 arising on change in fair value of financial assets at fair value through profit or loss for the six months ended 30 June 2014.

Investment and other income decreased by 94% from HK\$37,895,000 in the six months ended 30 June 2013 to HK\$2,104,000 in the six months ended 30 June 2014. This was attributable to the absence of the dividend income of HK\$36,479,000 received from China Star Entertainment Limited (“**China Star**”, stock code: 326) in May 2013.

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 2014 are as follows:

- (a) On 28 March 2014, the Group converted the remaining HK\$225,000,000 of the 8% convertible notes issued by China Star into 2,045,454,545 new shares in China Star. Given that the share price of China Star increased from HK\$0.119 per share on 31 December 2013 to HK\$0.151 per share on 28 March 2014, being the date of conversion, a gain of HK\$28,461,000 arising on change in fair value upon conversion of convertible notes receivables was recognised.

## Management Discussion and Analysis (Continued)

### Financial Review (Continued)

#### Results of continuing operations (Continued)

- (b) On 15 April and 17 June 2014, China Star Cultural Media Group Limited (“**China Star Cultural**”, stock code: 8172 and formerly known as China Media and Films Holdings Limited), a then associated company of the Group, allotted and issued 100,000,000 and 300,000,000 new shares respectively. As a result, the Group’s shareholding interest in China Star Cultural was diluted from 29.00% to 16.19%. Accordingly, China Star Cultural ceased to be an associated company of the Group on 17 June 2014 and a gain on deemed disposal of an associate of HK\$7,669,000 was recognised.
- (c) On 30 May 2014, Koffman Corporate Service Limited (“**Koffman**”), a Hong Kong private company, early redeemed the convertible notes of HK\$27,000,000 issued to the Group at par. A gain on early redemption of convertible notes receivables of HK\$1,611,000 was recognised.
- (d) In the six months ended 30 June 2014, the convertible notes receivable from China Star, Koffman and EDS Wellness Holdings Limited (“**EDS Wellness**”, stock code: 8176) generated imputed interest income of HK\$7,670,000 to the Group.
- (e) At the end of the reporting period, the carrying amount of the conversion options embedded in the convertible notes of HK\$40,000,000 (the “**EDS Wellness Convertible Notes**”) issued to the Group by EDS Wellness on 22 May 2014 was reassessed with reference to the valuation performed by an independent professional valuer. As the share price of EDS Wellness decreased from HK\$3.80 per share on 22 May 2014, being the date of issue, to HK\$3.46 per share on 30 June 2014, a loss of HK\$4,144,000 arising on change in fair value of the conversion options embedded in convertible notes receivables was recognised.
- (f) At the end of the reporting period, the Group revalued its equity portfolio at market prices and recognised a loss of HK\$28,151,000 arising on change in fair value of financial assets at fair value through profit or loss.



## Management Discussion and Analysis (Continued)

### Financial Review (Continued)

#### Results of continuing operations (Continued)

Administrative expenses (before depreciation) amounted to HK\$15,961,000 for the six months ended 30 June 2014, a 5% decrease from HK\$16,780,000 for the previous period. This decrease was mainly attributable to a HK\$790,000 decrease in building management fees resulted from the disposal of the Group's investment properties in Kwun Tong in July 2013.

For the period from 1 January 2014 to 17 June 2014, being the date on which China Star Cultural ceased to be an associated company of the Group, China Star Cultural and its subsidiaries reported a consolidated loss of HK\$1,510,000 and contributed a loss of HK\$555,000 to the Group.

For the six months ended 30 June 2014, Spark Concept Group Limited ("**Spark Concept**"), a associate company of the Group, and its subsidiaries reported a consolidated loss of HK\$320,000. As the Group's share of post-acquisition losses equals to its interests in Spark Concept, no further share of loss was recognised.

#### Results of discontinued operation

Profit for the six months ended 30 June 2014 from discontinued operation amounted to HK\$153,000, whereas a loss of HK\$3,039,000 was recorded in the previous period. The turnaround in the performance of the provision of management services business was attributable to the absence of the impairment loss recognised in respect of intangible assets of HK\$3,762,000 recorded in the six months ended 30 June 2013.

#### Liquidity and financial resources

During the six months ended 30 June 2014, 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\$1,825,372,000 at 31 December 2013 to HK\$1,924,088,000 at 30 June 2014.

At 30 June 2014, the cash and bank balances of the Group amounted to HK\$252,065,000 (31 December 2013: HK\$662,153,000).

At 30 June 2014, the Group had no borrowings (31 December 2013: HK\$Nil).

## Management Discussion and Analysis (Continued)

### Financial Review (Continued)

#### **Net current assets and current ratio**

At 30 June 2014, the Group's net current assets and current ratio were HK\$1,195,597,000 (31 December 2013: HK\$1,146,744,000) and 41.57 (31 December 2013: 44.94) respectively.

#### **Capital structure**

On 4 March 2014, the Company allotted and issued 91,000,000 new ordinary shares of HK\$0.01 each at a price of HK\$0.78 per share to four individual and two corporate investors, who/which and its ultimate beneficial owners are independent third parties, by way of placing of new shares under general mandate raising HK\$70,190,000 (net of expenses) for financing the Group's money lending business. The closing price of the Company's shares was HK\$0.94 per share as quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 20 February 2014, being the date of the placing agreement. The net price to the Company of each new share was HK\$0.7713. The directors considered that the placing presented an opportunity for the Company to raise additional funds for the operation of the Group's money lending business while broadening the shareholder base of the Company.

#### **Use of proceeds from fund raising activities**

- (a) On 24 January 2013, the Company raised HK\$29,931,000 by way of placing of 47,000,000 new shares under general mandate at a price of HK\$0.645 per share. The net proceeds from the placing of HK\$29,931,000 are intended to be used for property investment in Hong Kong in order to enrich the Group's investment property portfolio. At 30 June 2014, the net proceeds from the placing have not been applied as intended and are placed as interest bearing deposits with a licensed bank in Hong Kong.
- (b) On 26 April 2013, the Company raised HK\$180,277,000 by way of open offer of 152,224,414 new shares to the qualified shareholders of the Company at a subscription price of HK\$1.20 per share. The net proceeds from the open offer of HK\$180,277,000 were applied as to (i) HK\$100,277,000 for financing the granting of two loans pursuant to the two loan agreements dated 13 May 2013 and 3 June 2013, (ii) HK\$40,000,000 for financing the subscription of the convertible notes issued by EDS Wellness on 22 May 2014 and (iii) HK\$40,000,000 for financing the granting of an unsecured loan to EDS Wellness on 23 May 2014.

## Management Discussion and Analysis (Continued)

### Financial Review (Continued)

#### Use of proceeds from fund raising activities (Continued)

- (c) On 4 March 2014, the Company raised HK\$70,190,000 by way of placing of 91,000,000 new shares under general mandate at a price of HK\$0.78 per share. The net proceeds from the placing of HK\$70,190,000 were fully utilised for financing the granting of a loan pursuant to the loan agreement dated 6 March 2014.

#### Material acquisitions

During the six months ended 30 June 2014, the Group had the following material acquisitions:

- (a) On 28 March 2014, the Group converted the remaining HK\$225,000,000 of the 8% convertible notes issued by China Star into 2,045,454,545 new shares in China Star at the adjusted conversion price of HK\$0.11 per share. The conversion constitutes a very substantial acquisition of the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and was approved by the shareholders at the Company’s special general meeting held on 30 June 2011.
- (b) On 22 May 2014, the Group subscribed for the EDS Wellness Convertible Notes of HK\$40,000,000 at their face value pursuant to the conditional subscription agreement dated 21 March 2013. The subscription constitutes a discloseable transaction of the Company under the Listing Rules and was announced by the Company on 21 March 2013.

#### Material disposals

During the six months ended 30 June 2014, the Group had the following material disposals:

- (a) On 15 April 2014, China Star Cultural allotted and issued 100,000,000 new shares by way of placing of new shares under general mandate to not less than six placees and the Group’s interest in China Star Cultural was diluted from 29.00% to 24.21%. On 17 June 2014, China Star Cultural allotted and issued another 300,000,000 new shares by way of placing of new shares under specific mandate to not less than six placees and the Group’s interest in China Star Cultural was further diluted from 24.21% to 16.19%. As a result, China Star Cultural ceased to be an associated company of the Group on 17 June 2014 and the Group was deemed to dispose of a 12.81% shareholding interest in China Star Cultural.

## **Management Discussion and Analysis** *(Continued)*

### **Financial Review** *(Continued)*

#### **Material disposals** *(Continued)*

- (b) In April 2014, the Group disposed of 321,600,000 shares in China Star at an average price of HK\$0.1358 per share pursuant to the 12-month mandate granted to the directors by the shareholders at the Company's special general meeting held on 28 June 2013. The disposal constitutes a very substantial disposal of the Company under the Listing Rules and was approved by the shareholders at the Company's special general meeting held on 28 June 2013.
  
- (c) On 30 May 2014, Koffman early redeemed the convertible notes of HK\$27,000,000 issued to the Group at par.
  
- (d) On 11 June 2014, the Group disposed of the entire issued share capital of Rich Daily to Mr. Ng Cheuk Fai, an independent third party, at a consideration of HK\$2,000,000 pursuant to the conditional sale and purchase agreement dated 30 May 2014. The disposal constitutes a discloseable transaction of the Company under the Listing Rules and was announced by the Company on 30 May 2014.

#### **Pledge of assets**

At 30 June 2014, no assets of the Group were pledged.

#### **Commitments**

At 30 June 2014, the Group had a total commitment of HK\$318,000,000 relating to:

- (a) The subscription of the second tranche of convertible notes to be issued by China Star in the principal amount of HK\$300,000,000 pursuant to the conditional subscription agreement dated 21 January 2011 (as amended by the supplemental agreements dated 28 March 2011, 29 June 2012 and 31 December 2013). The subscription of the second tranche of convertible notes is conditional upon the fulfillment of the conditions precedent set out in the conditional subscription agreement, including the availability of sufficient fund by the Company. On 29 June 2012, the completion date of subscription was extended from 30 June 2012 to 31 December 2013. On 31 December 2013, the completion date of subscription was further extended from 31 December 2013 to 31 December 2015.

## Management Discussion and Analysis (Continued)

### Financial Review (Continued)

#### Commitments (Continued)

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

#### Exchange risk and hedging

During the six months ended 30 June 2014, 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.

#### Contingent liabilities

At 30 June 2014, the Group had the following material contingent liabilities:

- (a) On 15 April 2010, a claim was brought by China Finance & Assets Management Limited ("**China Finance**") in the High Court Action No. 526 of 2010 against Rexdale Investment Limited ("**Rexdale**"), a wholly owned subsidiary of the Company, for failing to pay a service fee in the sum of HK\$25,000,000 to China Finance. No provision for the claim was made in the condensed consolidated financial statements of the Group for the six months ended 30 June 2014 as Lafe Corporation Limited has undertaken to indemnify and keep indemnified the Group against any and all losses, claims, damages, penalties, actions, demands, proceeding, judgment and costs arising from or in connection with the claim.
- (b) On 20 March 2014, the Company announced that it came to its attention that a writ (the "**Writ**") of summons in High Court Action No. 9 of 2014 was issued by The Grande Holdings Limited (in liquidation), Roderick John Sutton (as joint and several provisional liquidator of The Grande Holdings Limited), Fok Hei Yu (as joint and several provisional liquidator of The Grande Holdings Limited) and 65 other companies listed as plaintiffs against 25 defendants inclusive of One Synergy Limited ("**One Synergy**"), a wholly owned subsidiary of the Company.

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

## Management Discussion and Analysis (Continued)

### Financial Review (Continued)

#### Contingent liabilities (Continued)

(b) (Continued)

Riche (BVI) Limited, a wholly owned subsidiary of the Company, acquired the entire issued share capital of Adelio Holdings Limited, which is the holding company of One Synergy, from Vartan Holdings Limited, an independent third party, pursuant to a sale and purchase agreement dated 25 May 2011. One Synergy acquired the entire issued share capital of Rexdale from Lafe Corporation Limited, being one of the defendants, pursuant to a sale and purchase agreement dated 31 December 2010 (the “**Agreement**”). The entire issued share capital of Rexdale was sold by The Grande (Nominees) Ltd., being one of the plaintiffs, and The Grand Limited to Lafe Corporation Limited on or about 29 June 2007. The principal assets of Rexdale were the whole of the 1st floor and the flat roof, the whole of 6th to 12th floors, roof, external walls, two lavatories, three lorry parking spaces and eight private car parking spaces on the ground floor of an industrial building located in Kwun Tong, Kowloon, Hong Kong with a total gross floor of approximately 139,412 square feet exclusive of lavatories, lorry and private car parking spaces, flat roof and roof (collectively, the “**Kwun Tong Properties**”). The Kwun Tong Properties was sold by Rexdale to Grand Reward Limited, an independent third party, in July 2013.

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

#### Employees and remuneration policy

At 30 June 2014, the headcount of the Group was 13 (2013: 13). Staff costs (including directors’ remuneration) amounted to HK\$9,898,000 (2013: HK\$8,552,000). In addition to basic salaries, provident fund and discretionary bonus, staff benefits include medical scheme and share options.

## Management Discussion and Analysis *(Continued)*

### Operations Review

During the six months ended 30 June 2014, 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 been produced by China Star Cultural for distribution by the Group during the period under review.

During the six months ended 30 June 2014, the Group acquired equities with market value of HK\$61,261,000 and converted the remaining HK\$225,000,000 of the 8% convertible notes into 2,045,454,545 new shares in China Star with a market value of HK\$308,864,000 as at the date of conversion. The Group's sale of financial assets business recorded a loss of HK\$5,037,000, which represents the loss on disposal of 321,600,000 shares in China Star. Upon the conversion of the remaining 8% convertible notes into 2,045,454,545 new shares in China Star, the Group recognised a gain of HK\$28,461,000 arising on change in fair value upon conversion of convertible notes receivables under other gains and losses. At 30 June 2014, the Group revalued its equity portfolio to market price and recorded a loss of HK\$28,151,000 arising on change in fair value of financial assets at fair value through profit or loss, in which a loss of HK\$56,887,000 was related to the shares in China Star and a gain of HK\$28,736,000 was related to other Hong Kong equities.

In 2013, the gaming promoter adopted a tightening credit policy towards its Mainland Chinese VIP customers in response to the slowdown of Mainland Chinese economy. With worries over the Mainland Chinese economic growth and excessive growth in the Mainland China's so-called shadow banking sector, the gaming promoter has unveiled to the Group that a tightening credit policy towards its Mainland Chinese VIP customers is likely to remain in place for the entire 2014. In view of the above, the directors considered that the potential growth of the provision of management services business engaged by Rich Daily was uncertain and determined to discontinue the provision of management services business in order to concentrate the Group's resources in its existing businesses. On 11 June 2014, the Group disposed of the entire issued share capital of Rich Daily at a consideration of HK\$2,000,000 pursuant to the conditional sale and purchase agreement dated 30 May 2014 and recorded a gain on disposal of subsidiaries of HK\$312,000. During the six months ended 30 June 2014, the Group's provision of management services business generated services fee income amounted to HK\$158,000.

## Management Discussion and Analysis (Continued)

### Operations Review (Continued)

During the six months ended 30 June 2014, the Group's money lending business generated interest income on loans of HK\$35,957,000, a 576% increase as compared to the previous period. This increase was attributable to the active expansion of the Group's money lending business in the second half of 2013 and the first half of 2014. The average monthly balance of loans receivables increased from HK\$92,522,000 in the six months ended 30 June 2013 to HK\$865,963,000 in the six months ended 30 June 2014. During the period under review, the Group made new loans in the aggregate principal amount of HK\$508,440,000 to its customers and received loans repayment of HK\$324,626,000 from its customers. At 30 June 2014, the Group's loans receivables together with accrued interest receivables amounted to HK\$953,852,000.

In 2013, the Group disposed of all its investment properties in response to the implementation of Double Stamp Duty in February 2013 and the US Federal Reserve tapering of its monthly bond purchase programme. During the six months ended 30 June 2014, the Group has adopted a wait-and-see approach towards its property investment business and did not acquire any investment properties.

On 18 February 2013, the directors proposed to seek approvals from its 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 8% convertible notes receivable from 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 constitute a very substantial acquisition and a very substantial disposal of the Company under the Listing Rules respectively and were approved by the shareholders at the special general meeting of the Company held on 28 June 2013.



## Management Discussion and Analysis (Continued)

### Operations Review (Continued)

On 28 March 2014, the Group converted the remaining HK\$225,000,000 of the 8% convertible notes into 2,045,454,545 new shares in China Star at the adjusted conversion price of HK\$0.11 per share and recognised a gain of HK\$28,461,000 arising on change in fair value upon conversion of convertible notes receivables. During the six months ended 30 June 2014, the Group disposed of 321,600,000 shares in China Star at an average selling price of HK\$0.1358 per share. At 30 June 2014, there are 1,723,854,545 shares in China Star remaining on hand. As the share price of China Star decreased from HK\$0.151 on 28 March 2014, being the date of conversion of the remaining 8% convertible notes, to HK\$0.118 on 30 June 2014, a loss of HK\$56,887,000 arising on change in fair value of financial assets at fair value through profit or loss was recognised. The 12-month mandate was expiry on 27 June 2014. The Group converted the entire principal amount of the bonus convertible notes and the 8% convertible notes into 3,789,798,857 new shares in China Star and disposed of 2,369,934,650 shares in China Star under the 12-month mandate. On the expiry of the 12-month mandate, the Group held 1,723,854,545 shares in China Star. The net proceeds from the Disposal amounted to HK\$319,160,000, of which HK\$310,077,000 is intended to be used for financing the proposed acquisition of the entire issued shares in and the shareholder's loan due by Thought Diamond International Limited ("**Thought Diamond**"), a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Cheung Kwok Fan, the non-executive director and a substantial shareholder of the Company (as defined under the Listing Rules), as announced by the Company on 7 and 25 April 2014 and the remaining balance of HK\$9,083,000 has been temporarily applied for general working capital of the Group.

## Management Discussion and Analysis *(Continued)*

### Operations Review *(Continued)*

For the purpose of participating in the development EDS Wellness, the Group subscribed for the EDS Wellness Convertible Notes of HK\$40,000,000 at their face value on 22 May 2014 pursuant to the conditional subscription agreement dated 21 March 2013. The EDS Wellness Convertible Notes are unsecured, non-interest bearing and maturing on 21 November 2016. Subject to the compliance of the public float requirement by EDS Wellness, the EDS Wellness 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 EDS Wellness Convertible Notes shall be redeemed at par on the maturity date. For the purpose of facilitating the open offer announced by EDS Wellness on 25 June 2014, the Group, on 25 June 2014, gave an irrevocable undertaking in favour of EDS Wellness and the underwriter (i) to convert HK\$25,000,000 of the EDS Wellness Convertible Notes into 25,000,000 new shares in EDS Wellness before the commencement of the book close period of the open offer, (ii) not to convert the remaining balance of the EDS Wellness Convertible Notes of HK\$15,000,000 into 15,000,000 new shares in EDS Wellness before the record date for the open offer, (iii) to subscribe or procure the subscription for the 12,500,000 new shares in EDS Wellness to be allotted to it under the open offer and (iv) to lodge the application form in respect of the 12,500,000 new shares in EDS Wellness referred to (iii) above accompanied by remittances prior to the latest time for acceptance under the open offer. On 2 July 2014, the Group converted HK\$25,000,000 of the EDS Wellness Convertible Notes into 25,000,000 new shares in EDS Wellness at an initial conversion price of HK\$1.00 per share pursuant to the irrevocable undertaking dated 25 June 2014. As a result of the conversion, EDS Wellness has become a 65.58% owned subsidiary of the Company and the financial results of EDS Wellness and its subsidiaries will be consolidated into the consolidated financial statements of the Group from 2 July 2014. On 22 July 2014, the Group subscribed for 12,500,000 new shares in EDS Wellness under the open offer at a subscription price of HK\$3.00 per share pursuant to the irrevocable undertaking dated 25 June 2014.

## Management Discussion and Analysis *(Continued)*

### Operations Review *(Continued)*

During the six months ended 30 June 2014, the Group's fixed income portfolio generated imputed interest income of HK\$7,670,000, a 63% decrease from HK\$20,506,000 for the previous period. This was attributable to the partial conversion of HK\$125,000,000 of the 8% convertible notes in October 2013 and the conversion of the remaining HK\$225,000,000 of the 8% convertible notes in March 2014. During the period under review, the cash interest income on convertible notes received by the Group amounted to HK\$13,019,000. On 30 May 2014, Koffman early redeemed the convertible notes of HK\$27,000,000 at par. As a result, the Group recognised a gain on early redemption of convertible notes receivables of HK\$1,611,000. As the share price of EDS Wellness decreased from HK\$3.80 per share on 22 May 2014, being the date of issue, to HK\$3.46 per share on 30 June 2014, a loss of HK\$4,144,000 arising on change in fair value of conversion options embedded in convertible notes receivables was recognised. At 30 June 2014, the face value of the Group's fixed income portfolio amounted to HK\$40,000,000, representing the EDS Wellness Convertible Notes.

## Management Discussion and Analysis (Continued)

### Operations Review (Continued)

Following the disposal of all the Group's investment properties in 2013, the directors have cautiously identified suitable investment opportunities for the Group to diversify its business and improve its profitability. On 28 March 2014, the Company as purchaser was in negotiations with various investors as vendors for sale and purchase of in aggregate 95,900,000 shares in 21 Holdings Limited ("**21 Holdings**", stock code: 1003), representing approximately 29.90% of its then entire issued share capital. During the course of negotiations, the investors requested the completion of the sale and purchase of 95,900,000 shares in 21 Holdings to take place immediately after the agreement of the selling price per share in 21 Holdings. As the acquisition of 95,900,000 shares in 21 Holdings constitutes a notifiable transaction of the Company under the Listing Rules, a lengthy process will be required to comply with the announcement, reporting and shareholders' approval requirements of the Listing Rules. The Company has, therefore, requested Mr. Cheung Kwok Fan to procure Thought Diamond to enter into bought and sold notes with the investors on 1 April 2014 for acquiring the 95,900,000 shares in 21 Holdings at a total consideration of HK\$286,017,000 and, in turn, entering into a conditional sale and purchase agreement with the Group for selling the entire issued shares in and the shareholder's loan due by Thought Diamond to the Group (the "**Proposed Acquisition**") at the same consideration of HK\$286,017,000 plus the net assets (excluding the amount due to the shareholder) of Thought Diamond of HK\$85,000 at 31 March 2014 in order to facilitate the sale and purchase of the 95,900,000 shares in 21 Holdings. On 25 April 2014, the board of directors of 21 Holdings announced, among others, the issue of not less than 160,379,617 and not more than 192,379,617 new shares in 21 Holdings by way of open offer on the basis of one new share for every two existing shares held by its qualifying shareholders on 21 May 2014 at a subscription price of HK\$0.50 per share. In order to maintain its level of shareholding interest in 21 Holdings and facilitate the open offer for raising additional capital to expand into a new business, namely provision of mortgage financing, of 21 Holdings, Thought Diamond, on 25 April 2014, gave an irrevocable undertaking in favour of 21 Holdings and the underwriter to subscribe for or procure subscription for 47,950,000 new shares to which Thought Diamond is entitled under the open offer. In light of the open offer and the irrevocable undertaking given by Thought Diamond, the Group, on the same date, entered into a deed of variation with Mr. Cheung Kwok Fan pursuant to which, among others, the consideration for the Proposed Acquisition is increased from HK\$286,102,000 to HK\$310,077,000. As Mr. Cheung Kwok Fan is a connected person of the Company, the Proposed Acquisition constitutes a very substantial acquisition and a connected transaction of the Company under the Listing Rules and requires an approval from the independent shareholders at a special general meeting of the Company. The consideration for the Proposed Acquisition of HK\$310,077,000 shall be financed by the net proceeds from the Disposal. Please refer to the Company's announcements dated 7 and 25 April 2014 for more details. At 30 June 2014, the refundable deposits of HK\$309,992,000 have been paid to Mr. Cheung Kwok Fan. The circular for convening the special general meeting is being prepared and will be dispatched as soon as possible.

## Management Discussion and Analysis (Continued)

### Operations Review (Continued)

On 15 April 2014, China Star Cultural allotted and issued 100,000,000 new shares by way of placing of new shares under general mandate to not less than six placees and the Group's interest in China Star Cultural was diluted from 29.00% to 24.21%. On 17 June 2014, China Star Cultural allotted and issued another 300,000,000 new shares by way of placing of new shares under specific mandate to not less than six placees and the Group's interest in China Star Cultural was further diluted from 24.21% to 16.19%. As a result, China Star Cultural ceased to be an associated company of the Group on 17 June 2014 and the Group was deemed to dispose of a 12.81% shareholding interest in China Star Cultural. Accordingly, a gain on deemed disposal of an associate of HK\$7,669,000 was recognised by the Group and the 146,640,000 shares in China Star Cultural held by the Group were reclassified from interests in associates to available-for-sale financial assets. As the share price of China Star Cultural decreased from HK\$0.36 per share on 17 June 2014, being the date on which China Star Cultural ceased to be an associate company of the Group, to HK\$0.355 per share on 30 June 2014, a net loss of HK\$733,000 arising on revaluation of available-for-sale financial assets was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

Following the opening of an additional Japanese noodle shop in Quarry Bay, the change of its major shareholder and the restructuring of its business in 2013, Spark Concept and its subsidiaries (collectively, the "**Spark Concept Group**") achieved a cashflow breakeven in its operation in the six months ended 30 June 2014. In August 2014, the Spark Concept Group has opened a new Japanese noodle shop in Hunghom to further expand its business. During the six months ended 30 June 2014, no further cash was advanced to the Spark Concept Group by its shareholders. At 30 June 2014, the Spark Concept Group owed the Group an amount of HK\$7,393,000 (before impairment of HK\$3,865,000), which is unsecured, non-interest bearing and repayable on demand. The Spark Concept Group reported a loss of HK\$320,000, an 82% improvement from HK\$1,752,000 for the correspondence period in 2013. 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 period under review.

## Management Discussion and Analysis *(Continued)*

### Future Prospects

Hong Kong has been witnessing a surge in capital inflows well before this summer. The directors believe that the capital influx has been triggered by the market's recognition that the Mainland Chinese economy could have bottomed and a return of investor interests as Mainland Chinese economy is showing signs of steadying based on recent data. Mainland Chinese manufacturing activity has recently picked up as a series of government stimulus measures took effect. Given that capital influx is highly correlated with equities, the directors are positive on the outlook for the Hong Kong equity market. Accordingly, the Group may further invest in Hong Kong equities in the second half of 2014. Despite the positive outlook of Hong Kong equities, the Group continues to adopt a conservative investment approach in investing towards its sale of financial assets business.

The US Federal Reserve signaled interest rates may rise by the middle of 2015 and said it could increase as soon as six months after the US Federal Reserve ends its monthly bond purchase programme. This will impact those repaying mortgages as interest rates are expected to increase by 2% to 3% within the next three years. The current Special Stamp Duty, Double Stamp Duty and Buyer's Stamp Duty are expected to remain in force until material downward adjustments in secondary market prices. With the prospects of a possible 2015 interest rate hikes and the government's demand curb measures, the directors predict a 10% to 15% drop in Hong Kong property prices over the next 12 months. In addition, the credit problems in Mainland China forcing cash-strapped Mainland Chinese to sell their Hong Kong properties with discounts of 5% to 10% below market average have the potential to increase this price drop. As such, the directors have adopted a wait-and-see approach towards the Group's property investment business in 2014 and expect that the Group's property investment business will not be revitalised until the end of 2015.

With the active expansion in the second half of 2013 and the first half of 2014, the Group's money lending business recorded a significant growth in the six months ended 30 June 2014 as compared to the previous period. The Group will slow down the pace of expanding money lending business in the remainder of 2014. As most of the loans granted in the second half of 2013 were drawn in the fourth quarter of 2013, it is expected that a significant growth in the Group's money lending business will be recorded for the year ending 31 December 2014 as compared to HK\$24,101,000 in 2013.

## Management Discussion and Analysis *(Continued)*

### Events after the Reporting Period

- (a) On 2 July 2014, the Group converted HK\$25,000,000 of the EDS Wellness Convertible Notes into 25,000,000 new shares in EDS Wellness at an initial conversion price of HK\$1.00 per share pursuant to the irrevocable undertaking dated 25 June 2014. As a result of the conversion, EDS Wellness has become a 65.58% owned subsidiary of the Company. The conversion constitutes a discloseable transaction of the Company under the Listing Rules and was announced by the Company on 21 March 2013.
  
- (b) On 22 July 2014, the Group subscribed for 12,500,000 new shares in EDS Wellness under the open offer announced by EDS Wellness on 25 June 2014 at a subscription price of HK\$3.00 per share pursuant to the irrevocable undertaking dated 25 June 2014. The subscription constitutes a discloseable transaction of the Company under the Listing Rules and was announced by the Company on 25 June 2014.
  
- (c) On 28 August 2014, EDS Wellness allotted and issued 2,620,000 new shares by way of placing of new shares under general mandate to not less than six places and the Group's interest in EDS Wellness was diluted from 65.58% to 62.71%.

## Additional Information Required by the Listing Rules

### Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: HK\$Nil).

### Changes in Information of Directors

The changes in information of directors as required to be disclosed pursuant to Rule 13.51B of the Listing Rules are set out below:

- (a) Mr. Lei Hong Wai, the Chairman of the Board and an executive director, has been appointed as the chairman of the board of directors and an executive director of 21 Holdings with effect from 10 April 2014;
- (b) Mr. Cheung Kwok Fan, the non-executive director, has been appointed as an executive director of 21 Holdings with effect from 10 April 2014;
- (c) Mr. Wong Tak Chuen, an independent non-executive director, has been appointed as an independent non-executive director of 21 Holdings with effect from 10 April 2014; and
- (d) Mr. Chan Kin Wah, Billy, an executive director, has been appointed as an executive director of EDS Wellness with effect from 5 August 2014.

### Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures

At 30 June 2014, 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:



## Additional Information Required by the Listing Rules (Continued)

### Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures (Continued)

#### Long positions

- a. Ordinary shares 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	19.30%
Mr. Cheung Kwok Wai, Elton	1	Held by controlled corporations	105,708,000	19.30%
Mr. Cheung Kwok Fan	1	Held by controlled corporations	105,708,000	19.30%
Mr. Chan Kin Wah, Billy		Beneficial owner	2,449,500	0.45%

#### Note:

- 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.

- b. 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	1,602,391	1,602,391

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 2014.

## Additional Information Required by the Listing Rules (Continued)

### 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 2013 annual report. Details of movements in the Company's share options during the six months ended 30 June 2014 are set out as follows:

	Type of share options	Number of share options				Outstanding at 30 June 2014
		Outstanding at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	
<b>Directors and chief executive</b>						
Mr. Lei Hong Wai	2007B	950	–	–	–	950
		950	–	–	–	950
Mr. Chan Kin Wah, Billy	2004	1,441	–	–	–	1,441
	2007B	950	–	–	–	950
	2013	2,960,000	–	–	(2,960,000)	–
	2014	–	1,600,000	–	–	1,600,000
		2,962,391	1,600,000	–	(2,960,000)	1,602,391
Total directors and chief executive		2,963,341	1,600,000	–	(2,960,000)	1,603,341
<b>Employees and consultants</b>						
	2004	6,925	–	–	–	6,925
	2007A	4,588	–	–	–	4,588
	2007B	22,113	–	–	–	22,113
	2013	20,840,000	–	–	(20,840,000)	–
	2014	–	24,760,000	–	–	24,760,000
Total employees and consultants		20,873,626	24,760,000	–	(20,840,000)	24,793,626
<b>Total</b>		<b>23,836,967</b>	<b>26,360,000</b>	<b>–</b>	<b>(23,800,000)</b>	<b>26,396,967</b>
<b>Exercisable at the end of the period</b>						<b>26,396,967</b>

## Additional Information Required by the Listing Rules (Continued)

### Share Option Scheme (Continued)

Details of specific categories of share options are as follows:

Share option type	Date of grant	Exercise period	Exercise price
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
2013	24 May 2013	24 May 2013 to 23 May 2014	HK\$1.274
2014	8 January 2014	8 January 2014 to 7 January 2015	HK\$0.84

### Substantial Shareholders

At 30 June 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

#### Long positions

- a. Ordinary shares of 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	19.30%
Silver Pacific International Limited	1 and 2	Held by controlled corporation	105,708,000	19.30%
Silver Pacific Development Limited	1 and 3	Held by controlled corporation	105,708,000	19.30%
Mr. Lei Hong Wai	1 and 2	Held by controlled corporations	105,708,000	19.30%

## Additional Information Required by the Listing Rules (Continued)

### Substantial Shareholders (Continued)

#### Long positions (Continued)

##### a. Ordinary shares of the Company (Continued)

Shareholders	Notes	Capacity	Number of issued shares held	Percentage of the issued share capital of the Company
Mr. Cheung Kwok Wai, Elton	1 and 3	Held by controlled corporations	105,708,000	19.30%
Mr. Cheung Kwok Fan	1 and 3	Held by controlled corporations	105,708,000	19.30%
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.

## Additional Information Required by the Listing Rules (Continued)

### Substantial Shareholders (Continued)

#### Long positions (Continued)

- b. Underlying ordinary shares 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 2014.

### Purchase, Sale or 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 2014.

### Compliance with 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 Listing Rules throughout the six months ended 30 June 2014, 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 2014, 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.

## **Additional Information Required by the Listing Rules** *(Continued)*

### **Compliance with 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. Having made specific enquires, 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 2014.

### **Review of Financial Information**

The audit committee has reviewed the 2014 interim report and the unaudited condensed consolidated financial statements for the six months ended 30 June 2014 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 financial statements for the six months ended 30 June 2014 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.

## **Additional Information Required by the Listing Rules** *(Continued)*

### **Acknowledgement**

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

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

Hong Kong, 29 August 2014