THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Eternity Investment Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

永恒策略投資有限公司

ETERNITY INVESTMENT LIMITED

(formerly known as China Star Investment Holdings Limited)

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

VERY SUBSTANTIAL ACQUISITION — FORMATION OF JOINT VENTURE AND GRANTING OF FACILITY AND NOTICE OF SPECIAL GENERAL MEETING

A notice convening a special general meeting of the Company to be held at Board Room, 1st Floor, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong on Friday, 3 September 2010 at 4:10 p.m. is set out on pages 53 to 54 of this circular. A form of proxy for use at the special general meeting is enclosed with this circular.

Whether or not you are able to attend the special general meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you wish.

16 August 2010

CONTENTS

Page

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Advance"	each lending of a portion of the Facility under the Facility Agreement or, as the case may be, the principal amount advanced to the JV Co. on each such occasion
"Announcement"	the announcement of the Company dated 23 July 2010 in relation to, among other things, formation of JV Co. and granting of the Facility
"Board"	the board of Directors
"Campbell"	Campbell Shillinglaw & Partners (Vietnam) Limited, a company incorporated in Vietnam with limited liability
"Company"	Eternity Investment Limited (formerly known as China Star Investment Holdings Limited), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
"Director(s)"	the director(s) of the Company
"Facility"	the revolving facility of up to HK$700 million to be granted by the Company to the JV Co.
"Facility Agreement"	the agreement dated 21 July 2010 entered into between the Company and the JV Co. in relation to the Facility
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China

"Independent Third Party"	person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, third parties who are not connected persons of the Company and are independent of the Company and its subsidiaries, their directors, chief executives and substantial shareholders or their respective associates (as that term is defined in the Listing Rules)
"JV Co."	Victory Peace Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and to be owned as to 90.1% by Riche and 9.9% by Campbell. As at the date of the JV Agreement, one share of US$1.00 has been issued and is fully paid up by Riche
"JV Agreement"	the joint venture agreement dated 21 July 2010 entered into between Riche, Campbell and the JV Co.
"Land"	a piece of land situated at An Lac A Ward, Binh Tan District, Ho Chi Minh City, Vietnam
"Latest Practicable Date"	12 August 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Prime Rate"	the rate of interest per annum as announced or applied by The Hongkong and Shanghai Banking Corporation Limited from time to time as its prime interest rate in Hong Kong for lending Hong Kong dollars to its prime customers
"Riche"	Riche (BVI) Limited, a wholly-owned subsidiary of the Company

"SGM"	the special general meeting of the Company to be convened and held on Friday, 3 September 2010 at 4:10 p.m. for the Shareholders to consider and approve the formation of the JV Co. and the granting of the Facility to the JV Co.
"Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Project"	the acquisition of the Land from its owner and the development of the Land into a high-end multi-storey apartments and commercial building for sales
"Vietnam"	the Socialist Republic of Vietnam
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

永恒策略投資有限公司

ETERNITY INVESTMENT LIMITED

(formerly known as China Star Investment Holdings Limited)

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

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

Independent non-executive Directors:
Mr. Tang Chak Lam, Gilbert
Mr. Hung Hing Man
Mr. Wan Shing Chi

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Unit 3811
Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

16 August 2010

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION — FORMATION OF JOINT VENTURE AND GRANTING OF FACILITY AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

The Board announced that on 21 July 2010 (after trading hours), Riche entered into the JV Agreement with Campbell and the JV Co. for the purpose of setting up of the JV Co.. The JV Co. will be held as to 90.1% by Riche and 9.9% by Campbell.

Pursuant to the JV Agreement, the financing requirements of the JV Co. shall be borne solely by Riche. As such, Riche has procured the Company to provide the Facility to the JV Co..

In order for the JV Co. to proceed with its business of conducting, development and investing into real estate and related projects in Vietnam, the Company entered into the Facility Agreement with the JV Co. on 21 July 2010 (after trading hours) to grant the Facility to the JV Co..

The purpose of this circular is to provide you with the information relating to (i) the details of the JV Agreement and the terms and conditions of the Facility; and (ii) a notice of the SGM.

The JV Agreement

Date: 21 July 2010 (after trading hours)

Parties: Riche, Campbell and the JV Co.

To the best of the Directors' knowledge, information and belief of the Company, and having made all reasonable enquires, Campbell and its ultimate beneficial owners are Independent Third Parties. The Company confirms that, save as those disclosed in this circular, the Group has no other existing arrangement or agreement with Campbell.

Principal activities of the JV Co.

The JV Co. is established to engage in the business of conducting, development and investing into real estate and related projects in Vietnam.

Capital contribution to the JV Co.

Subject to the fulfillment of the conditions as set out under "Conditions Precedent" below in this section, the JV Co. shall allot and issue 9,009 shares and 990 shares to Riche and Campbell respectively at a price of US$1.00 per share.

Finance of the JV Co.

Pursuant to the JV Agreement, the initial capital and cash requirements of the JV Co. shall be satisfied by utilisation of the proceeds from subscription for its shares. Additional financing of the JV Co. after utilisation of its own resources shall be satisfied by way of a shareholder's loan from Riche up to HK$700 million only with interest accruing thereon at the rate not exceeding the Prime Rate plus 1.5%. Campbell shall not be required to provide financing and/or security for the JV Co.'s financial requirements.

If third party financing is required, Riche shall use all reasonable endeavours to arrange borrowings in the form of loans or overdraft facilities from banks or other financial institutions for the JV Co. as required by the board of directors of the JV Co. from time to time. Riche shall, if requested by a lender as a condition of granting any such facility, offer to guarantee the facility on terms agreed between the lender and Riche.

Profit sharing of the JV Co.

The profit sharing of the JV Co. shall be determined in accordance with the proportion of their respective shareholdings of Riche and Campbell in the JV Co..

Conditions Precedent

The formation of the JV Co. shall be conditional upon the fulfillment of the following conditions:

(i) the passing by the directors of each of Riche and Campbell of a resolution approving the JV Agreement;

(ii) all necessary approvals and consents to the execution of the JV Agreement and the performance of the transactions contemplated under the JV Agreement being obtained; and

(iii) approval by the Shareholders in the SGM approving the transactions contemplated under the JV Agreement or incidental thereto having been obtained (if necessary).

If the conditions above shall not have been fulfilled by 31 December 2010, the JV Agreement shall, subject to the liability of any party under the JV Agreement to the others in respect of any breaches of the terms under the JV Agreement, including the obligations therein, be null and void and of no effect.

Financial information of the JV Co.

As at the Latest Practicable Date, the total assets of the JV Co. is US$1.00 (equivalent to approximately HK$7.80) and the JV Co. has no liabilities. There is no profit or loss recorded in the unaudited management accounts of the JV Co. for the period commencing on 12 July 2010 (being its date of incorporation) to the date of the Announcement. The JV Co. has not yet commenced any business operations.

Composition of the board of directors of the JV Co.

Pursuant to the JV Agreement, the board of directors of the JV Co. shall consist initially of one director nominated by Riche. The maximum number of directors shall be four directors. Riche shall, regardless of the number of shares in the JV Co. held by it, have the right to appoint and remove up to four directors.

Information on Campbell

Campbell was incorporated under the law of Vietnam in February 2006. According to the information provided by Campbell, the principal business activities of Campbell consists of the following design and construction services for civil & industrial works such as architectural, civil & structural, mechanical & electrical, fire protection system, interior, power & industrial plant, power distribution & sub-station, water & waste treatment plants & distribution, road & highway, construction supervision services for civil & industrial works, and project and property management services.

Since its incorporation, Campbell has provided a complete range of consultancy services, for instance, master project planners, architectural, structural, mechanical & electrical and interior design etc, to its clients. Campbell has been involved in various master planning and construction projects in Vietnam, such as Petro Vietnam Power Land — a residential, office and commercial complex, Wonderful Theme Park — a hotel, office, residential and commercial complex, Vinaconex Theme City — a hotel, office, residential and commercial complex, and Ecological Tourist & Residential Area — a hotel, residential, commercial and golf course complex.

Appointment of Chief Strategist of the JV Co.

Following the formation of the JV Co., the JV Co. shall appoint Mr. Stephen Lam, who is the chairman of Campbell, as the Chief Strategist for developing its business in Vietnam. Mr. Lam is a Vietnam Ministry of Construction registered engineer with more than 15 years working experiences in Malaysia, Cambodia, Vietnam and South East Asia.

The Facility Agreement

Date: 21 July 2010 (after trading hours)

Parties: the Company (as lender) and the JV Co. (as borrower)

Amount

Subject to the terms and conditions of the Facility Agreement, the Company has conditionally agreed to provide the Facility to the JV Co.. The Facility is of up to HK$700 million. The amount of the Facility was determined by reference to the ballpark figure of fund to be invested into the Target Project.

Interest

An interest rate at the Prime Rate plus 1.5% per annum on each Advance under the Facility is payable quarterly. A default interest rate of 10.0% per annum is payable on any overdue amount whether principal or interest.

The annual interest rate and the default interest rate are determined based on arm's length negotiation between the Company, Riche and Campbell with reference to market rate.

Repayment

The JV Co. shall repay each Advance in full on or before the date falling 36 months after the date of the first drawdown of the Facility, save for the Company shall have the right to request for immediate repayment of all and any Advance following an annual review.

Conditions precedent

The drawdown of the Facility is subject to, amongst others, the fulfillment of the following conditions:

(i) the granting of the Facility having been approved by the Shareholders at the SGM;

(ii) confirmation from the JV Co. on each date of making the Advance that the JV Co. is a subsidiary of the Company; and

(iii) the results of a due diligence investigation on the projects for which the Facility will be used having been satisfactory to the Company in its absolute discretion.

Security

None

Annual review

The Company shall conduct an annual review of the Facility (including amounts of Advance made) and determine whether to continue to grant further Advances, request for repayment of Advances made etc.

Reasons for and benefits of the formation of the JV Co. and the granting of the Facility

The Group is principally engaged in the distribution of films, sub-licensing of film rights, sales of financial assets and provision of management services to concierge departments of gaming promoters.

Vietnam's economy has boomed as a result of Vietnam gaining membership in the World Trade Organisation (WTO) in 2007. The Vietnam property market received an explosion of interest and activity during 2007 due to the newly introduced laws liberalising the guidelines for investment from foreign developers. However, in April 2008, after a stock market crash and a tightening of bank credit, the number of transactions in the Vietnam property market reduced by 30% to 40% compared to 2007. Currently, the economy of Vietnam is on a gradual recovery.

To pace up the recovery, the Government of Vietnam has enacted a number of stimulus policies to attract capital from foreign investors, such as foreigners are permitted to invest in the Vietnam property market subject to certain conditions. Furtherance, the Government of Vietnam also improves its existing public infrastructure, such as building up the Thu Thiem Bridge and the East-West Highway in Ho Chi Minh City to improve the accessability of more of its cities.

Notwithstanding that the property market in Vietnam has not been fully recovered as compared to year 2007, the Board considers that the entering into the JV Agreement represents an good opportunity to the Group investing in projects with market potential. Given the Directors' positive outlook of the Vietnam property market, the Directors believe that the Group would capitalise on the connections and expertise of Campbell to develop the JV Co.'s real estate business in Vietnam. Given the property development business of the JV Co. represents a new business and geographical exposure to the Group, the Directors consider that the formation of the JV Co. and the granting of the Facility are in the interests of the Company and the Shareholders as a whole on the following basis:

(i) they would enable the Group to diversify its businesses and broaden its revenue base which would have a positive impact on the Group's profitability;

(ii) they would diversify the Group's geographical area of operations into Vietnam, which is beneficial to the long term development of the Group; and

(iii) the Directors are of the view that the future prospects of the Vietnam property market are promising and the expansion into the property development/investment business in Vietnam may offer a good financial return to the Group.

Based on the above, the Directors consider that terms of the JV Agreement and the formation of the JV Co. are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The director of the JV Co. has confirmed that the proceeds of the Facility shall be used by the JV Co. exclusively for the business of conducting, development and investing into real estate and related projects in Vietnam.

The Directors consider that the use of the Facility by the JV Co. is properly safeguarded as:

(i) all directors of the JV Co. are nominated by the Company;

(ii) the Company has over 50% voting rights of the JV Co.;

(iii) prior to making any Advance to the JV Co., the Company shall satisfy in its absolute discretion with the results of a due diligence investigation on the projects for which the Facility will be used; and

(iv) an annual review of the Facility shall be conducted by the Company and the Company has absolute right to determine whether to continue to grant further Advances, request for repayment of Advances made etc.

In order for the JV Co. to proceed with its business in Vietnam, the Directors consider that the granting of the Facility and the terms of the Facility Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Facility of up to HK$700 million will be funded by the Group's internal resources, external financing and/or equity financing.

Financial and trading prospect

For the year ended 31 December 2009, the revenue of the Group recorded approximately HK$74.71 million, a 288% increase from approximately HK$19.25 million for the previous year. The significant increase in revenue was attributable to the full year effect of the Group's expansion into provision of management services business in August 2008 and the turnaround in the performance of sales of financial assets. Of the total turnover amount, approximately HK$60.49 million was generated from provision of management services and approximately HK$14.22 million was generated from sales of financial assets.

The profit attributable to owners of the Company for the year ended 31 December 2009 was approximately HK$422.14 million, whereas the Group recorded a loss of approximately HK$224.51 million for the year ended 31 December 2008. The substantial improvement of the financial information of the Group for the year ended 31 December 2009 was mainly attributed to share of results of associates of the Company of approximately HK$724.99 million.

In the financial year of 2010, the Group has concentrated its resources on the provision of management services business and the sale of financial assets business as they provide static revenue/income flows to the Group. No revenue is generated from the film distribution business as the Group is not able to secure quality films at reasonable prices for distribution. To improve its profitability and diversify its revenue sources, the Group has acquired the 4.5% interest in the issued share capital of Hantec Holdings Investment Limited ("Hantec") and expanded into organic agricultural business in Mainland China through a joint venture arrangement with an independent third party in the first half of 2010. As the vendor has given a dividend guarantee for not less than HK$1.80 million per annum for the period from the date of completion of the acquisition, being 16 April 2010, to 30 June 2012, the Directors believe that the investment in Hantec provides a short-term static income flow to the Group. For the newly expanded organic agricultural business, the Directors expect that such business will not contribute significantly to the Group in the financial year of 2010 as it has not yet commenced its operations and the joint venture is still in the process of obtaining a land use right of 5,000 hectares in Mainland China.

The Group is actively seeking investment opportunities to diversify its business and broaden its revenue base. Furtherance, the Board will continue to adopt a prudence approach in investing Hong Kong equities to enhance the returns to the Shareholders.

Letter of intent and information on the Target Project

On 21 July 2010 (after trading hours), the JV Co. entered into a non-binding letter of intent with Campbell, whereby Campbell has agreed to, subject to agreeable terms and conditions, to procure the sale of the Land from its owner to the JV Co..

As at the Latest Practicable Date, no terms and conditions regarding the acquisition of the Land have yet been proposed. Further announcements will be made as and when appropriate. The proposed acquisition of the Land, if proceeds, is expected to be a very substantial acquisition for the Company pursuant to the Listing Rules. The Company will comply with the notification, publication and shareholders' approval requirements under the Listing Rules for the acquisition of the Land and/or other future transaction by the JV Co. as and when appropriate.

The Target Project is to acquire the Land and develop the Land into a high-end multi-story apartments and commercial building for sales. It is estimated that the acquisition cost of the Land is approximately US$29.00 million (equivalent to approximately HK$226.20 million) and the development cost is approximately of US$149.80 million (equivalent to approximately HK$1,168.44 million). The total area of the Land is approximately 16,500 square meters. Upon completion, the multi-story building consists of (i) five storeys of commercial levels; (ii) 37 storeys of apartment levels; and (iii) two storeys of basement levels for car parking and building services facilities. It is expected that the Target Project, if proceeds, will be funded by the Facility, bank borrowings and pre-sales of commercial and apartment units.

As the formation of the JV Co. is subject to the fulfillment of a number of conditions precedent, it may or may not be completed. In addition, the proposed transaction contemplated under the letter of intent may or may not proceed. No formal binding documentation has been executed and discussions are currently at a preliminary stage. A further announcement in respect of the proposed transaction contemplated under the letter of intent will be made as and when appropriate. Accordingly, Shareholders and potential investors are therefore advised to exercise caution when trading in the Shares.

Financial effects on the Group

The financial effects of the formation of the JV Co. and the granting of the Facility are as follows:

(i) upon completion of the JV Agreement, the JV Co. will become a 90.1% owned subsidiary of the Company. The JV Co. will be accounted for as a subsidiary of the Company; and

(ii) the granting of the Facility to the JV Co. will have no effect on the assets and liabilities of the Group, but will generate an annual interest income of approximately HK$4.68 million, after the elimination of interest income of approximately HK$47.25 million arising from intra-group transaction, in the event that the Facility is fully drawdown by the JV Co..

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the formation of the JV Co. and the granting of the Facility constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules (on the assumption of the whole Facility amount is drawdown) and is therefore subject to Shareholders' approval at the SGM by way of poll. As no Shareholder has any interest in the transactions contemplated under the JV Agreement and the Facility Agreement, no Shareholder is required to abstain from voting in respect of the proposed resolutions to approve the JV Agreement and the granting of the Facility at the SGM.

SGM

To the best of the Directors' knowledge, no Shareholder is required to abstain from voting at the SGM.

A notice convening the SGM to be held at Board Room, 1st Floor, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong on Friday, 3 September 2010 at 4:10 p.m. is set out on pages 53 to 54 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you wish.

RECOMMENDATION

The Board considers that the formation of the JV Co. and the granting of the Facility are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and therefore recommends the Shareholders to vote in favour of the special resolution approving the formation of the JV Co. and the granting of the Facility at the SGM.

ADDITIONAL INFORMATION

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

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

FINANCIAL INFORMATION INCORPORATED BY REFERENCE

The audited consolidated financial statements of the Group for the year ended 31 December 2007, 31 December 2008 and 31 December 2009, including the notes thereto, have been published in the annual reports of the Company for the year ended 31 December 2007 (pages 44 to 135), 31 December 2008 (pages 52 to 171) and 31 December 2009 (pages 52 to 195) respectively, which are incorporated by reference into this circular. The said annual reports of the Company are available on the Company's website at www.eternityinv.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 30 June 2010, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding borrowings of HK$72,000,000, representing the convertible note which is unsecured and interest-bearing at 5% per annum. The convertible note was fully repaid in July 2010.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or agreed to be issued, any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, capital commitments, guarantees or other material contingent liabilities as at the close of business on 30 June 2010.

WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, in the absence of unforeseeable circumstances and after taking into account of the proposed rights issue announced by the Company on 28 July 2010 and the internal resources of the Group, the Group has sufficient working capital for its normal business for at least the next 12 months from the date of publication of this circular.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited consolidated accounts of the Group were made up.

MANAGEMENT DISCUSSION AND ANALYSIS EXTRACTED FROM ANNUAL REPORTS OF THE COMPANY

Set out below is the management discussion and analysis extracted from the annual report of the Company for each of the three years ended 31 December 2007, 2008 and 2009.

(I) For the year ended 31 December 2009

Financial Review

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

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

Results of continuing operations

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

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

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

Other revenue and other income increased by 391% from HK$2,427,000 in the year ended 31 December 2008 to HK$11,905,000 in the year ended 31 December 2009. The significant increase was due to interest income of HK$5,102,000 arising from loan advanced to and convertible note receivable from China Star Entertainment Limited ("CSEL") (stock code: 326) and imputed interest income of HK$5,901,000 arising from promissory note receivable.

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

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

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

Pursuant to the sale and purchase agreement dated 28 February 2008 relating to the acquisition of Rich Daily, Mr. Ng Cheuk Fai has irrevocably and unconditionally guaranteed to the Group that the service fee income of Rich Daily for the 12-month ended 30 June 2009 shall not be less than HK$72,000,000. However, the actual service fee income of Rich Daily for the 12-month ended 30 June 2009 was HK$57,224,000. According to the sale and purchase agreement, the consideration for acquiring Rich Daily has to be adjusted from HK$504,000,000 to HK$400,566,000. The adjustment to the consideration of HK$103,434,000 was settled by deducting HK$72,000,000 from a convertible note payable to Well Will Investment Limited on a dollar for dollar basis and cash payment of HK$31,434,000 from Mr. Ng Cheuk Fai. As a result, the Group recorded a gain on adjustment to cost of combination in respect of an acquisition in prior year of HK$103,434,000 and a loss on cancellation of convertible note payable of HK$18,247,000.

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

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

Results of discontinued operations

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

Liquidity and financial resources

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

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

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

Net current assets and current ratio

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

Capital structure

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

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

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

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

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

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

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

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

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

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

Disposal of subsidiaries and acquisition of associated companies

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

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

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

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

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

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

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

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

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

Loan to Shanghai Shengping

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

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

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

Pledge of assets

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

Commitments

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

Exchange risk and hedging

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

Contingent liabilities

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

Employees and remuneration policy

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

Operations Review

Continuing operations

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

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

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

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

Discontinued operations

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

Future Prospects

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

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

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

(II) For the year ended 31 December 2008

Financial Review

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

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

Results of continuing operations

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

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

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

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

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

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

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

Results of discontinued operations

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

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

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

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

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

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

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

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

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

Liquidity and financial resources

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

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

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

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

Net current assets and current ratio

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

Capital structure

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

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

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

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

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

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

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

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

Material acquisitions and disposals of subsidiaries and associated companies

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

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

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

Charges on assets

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

Material commitments

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

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

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

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

Exchange risk and hedging

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

Contingent liabilities

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

Employees and remuneration policy

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

Operations Review

Continuing operations

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

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

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

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

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

Discontinued operations

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

Future Prospects

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

(III) For the year ended 31 December 2007

Financial Review

The Group recorded a turnover of HK$38,739,000 for the year ended 31 December 2007, a 122% increase from HK$17,476,000 for the previous year. Of the total turnover amount, HK$35,822,000 or 92% was generated from sales of financial assets and HK$2,917,000 or 8% was generated from property investment. The profit for the year ended 31 December 2007 was HK$25,694,000, whereas the Group recorded a loss of HK$21,294,000 in the year ended 31 December 2006. The turnaround was attributable to the recognition of a gain of HK$106,956,000 arising from the secured bank loan interest waived by China Merchants Bank and the increase in fair value of the Group's investment properties of HK$43,853,000, which were partially offset by the impairment loss recognised in respect of goodwill of HK$37,828,000, the provision for deferred taxation of HK$13,156,000 arising from the revaluation of investment properties and the increases in administrative expenses and finance costs.

Cost of sales for the year ended 31 December 2007 amounted to HK$28,958,000, of which HK$28,100,000 was related to sales of financial assets and HK$858,000 was related to property investment.

Gross profit for sales of financial assets amounted to HK$7,722,000 in the year ended 31 December 2007. Taking into account the dividend income of HK$78,000, the performance of the Group's sales of financial assets was a profit of HK$7,800,000. As volatility in equity market remained high, the Group sold all of its financial assets in the second half of 2007.

Gross profit for property investment amounted to HK$2,059,000 in the year ended 31 December 2007. As the Group's investment properties were under renovation during the year ended 31 December 2007, the contribution represented the rental income generated from the leasing of the ground floor of the Group's investment properties to a restaurant operator.

Other income increased from HK$5,560,000 in the year ended 31 December 2006 to HK$106,956,000 in the year ended 31 December 2007. The substantial increase was attributed to the recognition of a gain of HK$106,956,000 arising from the secured bank loan interest waived by China Merchants Bank.

At the end of financial year, the directors reassessed the recoverable amount of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") (the immediate holding company of Beijing Jianguo Real Estate Development Co. Ltd.), with reference to the valuation performed by an independent valuer, and determined that an impairment loss in respect of goodwill of HK$37,828,000 was recognised in the year ended 31 December 2007.

Administrative expenses (net of depreciation, impairment losses and loss on disposal of property, plant and equipment) amounted to HK$66,453,000 for the year ended 31 December 2007, a 189% increase from HK$23,008,000 as compared to the correspondence figure for the previous year. The increase was mainly attributed to the full year effect of the engagements of external consultants for the renovation works of the Group's investment properties, the payment of pre-operating services fee to Shama, the management company of the Group's investment properties, and the share-based payment expenses of HK$32,282,000 in relation to share options granted, of which HK$25,912,000 was related to the Group's employees and HK$6,370,000 was related to the consultants.

Finance costs increased from HK$9,615,000 in the year ended 31 December 2006 to HK$19,494,000 in the year ended 31 December 2007. The substantial increase was attributable to the full year effect of the interest expenses of Beijing Jianguo Real Estate Development Co. Ltd. ("Beijing Jianguo") as the acquisition of a 96.7% interest in the registered capital of Beijing Jianguo was completed in June 2006.

At 31 December 2007, the headcount of the Group was 70. Total staff costs (including directors' remuneration) amounted to HK$34,375,000 in the year ended 31 December 2007, a 366% increase from HK$7,375,000 as compared to the correspondence figure for the pervious year. The increase was attributable to the inclusion of share-based payment expenses of HK$25,912,000 and the increase in Beijing Jianguo's headcount. Employees are remunerated according to their performance and work experience. In addition to basic salaries, retirement benefits scheme and discretionary bonus, staff benefits include medical scheme and share options. An analysis of headcount and total staff costs of the Group for the years ended 31 December 2007 and 2006 is as follows:

	Year ended 31 December	
	2007	**2006**
Total staff costs in HK$		
— Salaries and contribution to retirement benefits scheme		
— Hong Kong and Macau	6,901,000	6,775,000
— the PRC	1,562,000	600,000
— Share-based payment expenses		
— Hong Kong and Macau	24,494,000	—
— the PRC	1,418,000	—
	34,375,000	7,375,000
Headcount		
— Hong Kong and Macau	19	20
— the PRC	51	39
	70	59

During the year ended 31 December 2007, the Group funded its operations through a combination of equity attributable to equity holders of the Company, the secured RMB term loan facility, the unsecured and interest-free loan from a director, issuance of new shares and the amounts due to China Star Entertainment Limited and its subsidiary. Equity attributable to equity holders of the Company at 31 December 2007 amounted to HK$1,046,080,000 (2006: HK$399,636,000).

At 31 December 2007, the cash and cash equivalents of the Group amounted to HK$531,396,000 (2006: HK$63,140,000), of which HK$16,832,000 is pledged to a bank for securing the secured RMB term loan facility. The Group's current ratio was 5.19 (2006: 1.49) at 31 December 2007. The improvements on the Group's cash position and current ratio were attributable to the issue of new shares in the year ended 31 December 2007 as detailed below.

On 4 April 2007, the board of directors proposed that every ten (10) issued and unissued existing ordinary shares of HK$0.01 each in the share capital of the Company be consolidated into one (1) issued and unissued ordinary share of HK$0.10 each in the share capital of the Company. The share consolidation became effective on 21 May 2007.

During the year ended 31 December 2007, the Company issued:

(a) 1,296,860,000 new shares of HK$0.01 each at a price of HK$0.04 per share by way of top-up placing in March 2007 raising HK$50,500,000 (net of expenses) for financing possible diversified investments of the Group and general working capital of the Group;

(b) 324,000,000 new shares of HK$0.01 each at an exercise price of HK$0.047 per share in May 2007 pursuant to the exercise of share options granted to the Group's employees and consultants;

(c) 155,620,000 new shares of HK$0.10 each at a price of HK$0.55 per share by way of placement in May 2007 raising HK$83,300,000 (net of expenses) for financing possible diversified investments of the Group and general working capital of the Group;

(d) 162,100,000 new shares of HK$0.10 each at a price of HK $0.50 per share in July 2007 by way of placement raising HK$78,900,000 (net of expenses) for the expansion of the Group's property investment business;

(e) 173,000,000 new shares of HK$0.10 each at a price of HK$0.83 per share in August 2007 by way of top-up placing raising HK$139,800,000 (net of expenses) for the expansion of the Group's property investment business, including the property set out in the Company's announcement dated 23 July 2007; and

(f) 650,619,987 new shares of HK$0.10 each at a subscription price of HK$0.30 per share by way of open offer on the basis of one offer share for every two existing shares in December 2007 raising HK$189,000,000 (net of expenses) for the proposed acquisition of a 100% interest in Modern Vision (Asia) Limited as announced by the Company on 23 July 2007 and general working capital of the Group.

At 31 December 2007, the total borrowings of the Group amounted to HK$329,719,000 (2006: HK$358,033,000), comprising the secured RMB term loan facility of HK329,018,000 which is secured by certain of the Group's investment properties and bank deposits of HK$16,832,000, interest bearing at 95% of the interest rate prescribed by the People's Bank of China for loan period of five years and repayable within four years; and the amounts due by the Group to China Star Entertainment Limited and its subsidiary of HK$701,000 which are unsecured, interest-free and have no fixed terms of repayment. The Group expresses its gearing ratio as a percentage of total borrowings over equity attributable to equity holders of the Company. At 31 December 2007, the Group's gearing ratio was 31.5% (2006: 89.6%).

The Company has given a guarantee to the bank to secure the secured RMB term loan facility granted to Beijing Jianguo. The outstanding balance of the secured RMB term loan facility at 31 December 2007 was HK$329,018,000 (2006: HK$250,470,000).

On 5 November 2007, the Company obtained an unsecured and interest-free loan of HK$45,000,000 from Ms. Chen Ming Yin, Tiffany, an executive director, to finance its working capital. The loan was repaid by the Company on 27 November 2007.

The Group's investment properties increased from HK$678,000,000 at 31 December 2006 to HK$887,450,000 at 31 December 2007. The increase was mainly attributable to the additions of renovation works for the investment properties of HK$101,347,000, the increase in fair value of investment properties of HK$43,853,000 and the exchange alignments of HK$48,637,000 arising from the appreciation of Renminbi. At 31 December 2007, certain of the Group's investment properties with a fair value of HK$852,081,000 was pledged to the bank to secure the secured RMB term loan facility granted to Beijing Jianguo.

During the year, the Group invested HK$585 in a joint venture company, namely Best Season Holdings Corp. ("Best Season") for the purpose of extending its operations in Macau. Best Season is owned as to 75% by the Group and 25% by Steve Leung Hotel Design and Management Limited ("SLHDML"). Best Season has been established to invest in, manage and conduct branding for real estate and/or related properties in Macau. In addition, the Group agreed to grant a revolving facility of up to HK$200,000,000 to Best Season for the purpose of its business and working capital requirements. As Best Season has not secured any business, no drawdown on the revolving facility has been made.

At 31 December 2007, the Group had the following material commitments contracted but not provided for in the audited consolidated financial statements:

(a) capital expenditures of HK$28,750,000 in respect of the renovation works of the Group's investment properties;

(b) a commitment of HK$447,000,000 in respect of the proposed acquisition of a 100% interest in Exceptional Gain Profits Limited and a sale loan from China Star Entertainment Limited, a substantial shareholder;

(c) a commitment of HK$4,538,000 (equivalent to RMB4,234,000) in respect of the acquisition of a 3.3% interest in the registered capital of Beijing Jianguo from Beijing Urban Development Group Co. Ltd. (北京城市開發集團有限責任公司) ("Beijing Urban");

(d) a commitment in respect of acquiring the registered capital of 上海昇平文化發展有限公司 from its owners at a price to be determined by the valuers in Mainland China when the laws in Mainland China allow foreign investors to own more than 51% interest in the registered capital of 上海昇平文化發展有限公司; and

(e) a revolving facility of up to HK$200,000,000 granted to Best Season.

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

At 31 December 2007, the Group had no material contingent liabilities (2006: HK$3,697,000).

Operations Review

In view of the persisted weak demand for Hong Kong-made movies and rampant piracy, Hong Kong film production companies have adopted a cautious approach in investing films. As the number of films produced by Hong Kong film production companies decreased in 2007, the Group was not able to source quality films at reasonable prices for distribution. Accordingly, no revenue was generated from the Group's film distribution business in the year ended 31 December 2007. However, the Group is actively seeking potential buyers for its film library to realise its value.

The Group's investment properties are currently under renovation and being transformed from an apartment complex into a high-end serviced apartment. Due to linkage of the water system of the Group's investment properties, the completion of the renovation works has to extend for replacing the water system. The Group has appointed Shama, one of the leading providers of boutique-serviced apartments, to manage the Group's investment properties. To reflect its high-quality serviced accommodation and location in the heart of Beijing City, the Group's investment properties are now named as "Shama Luxe Chang An". Upon the completion of the renovation works, Shama Luxe Chang An presents 204 sophisticated residences with one to three bedroom layouts and duplex suites, a vast clubhouse with sports, recreation and children's facilities and a large private garden. It is expected that the operations of Shama Luxe Chang An will be commenced in early June 2008.

Currently, a 3.3% interest in the registered capital of Beijing Jianguo is held by Beijing Urban. The Group is in the process of acquiring the 3.3% interest from Beijing Urban at a cost of HK$90,000 (equivalent to RMB84,000), after deducting an amount of HK$4,448,000 (equivalent to RMB4,150,000) paid to Beijing Urban by Shinhan-Golden in 1997. Despite the fact that Beijing Urban has entered into an agreement for foregoing its entitlement to all of the future profits of Beijing Jianguo, the directors believe that the acquisition of the remaining 3.3% interest provides the Group with a better protection on its interest in Beijing Jianguo and a greater flexibility in managing Shama Luxe Chang An. It is expected that the acquisition will be completed in the second quarter of 2008.

With a view to diversify its revenue sources and capture the continuing growth of Macau's economy, the Group entered into the following transactions in order to extend its operations in Macau:

(a) In May 2007, the Group entered into a joint venture agreement with SLHDML for the purpose of setting up of Best Season. Best Season has been established to invest in, manage and conduct branding for real estate and/or related properties in Macau including but not limited to hotel(s), serviced apartment(s), restaurant(s), retail(s), catering(s), resort(s), club(s), residential(s) and any other service position. No contribution has been made from Best Season as Best Season has not secured any business during the year.

(b) In July 2007, the Group entered into a conditional sale and purchase agreement in relation to the proposed acquisition of a 100% interest in Modern Vision (Asia) Limited from Ms. Chen Ming Yin, Tiffany, an executive director, at a consideration of HK$684,000,000 (subject to adjustment). The major asset of Modern Vision (Asia) Limited is its indirect 50% interest in a lot of land with the area of 4,669 square meters located in the Nam Van Lakes Zone, Macau. However, the proposed acquisition was not approved by the independent shareholders on 21 November 2007.

(c) In August 2007, the Group entered into a conditional sale and purchase agreement in relation to the proposed acquisition of a 100% interest in Exceptional Gain Profits Limited and a sale loan from China Star Entertainment Limited at a consideration of HK$447,000,000 satisfied by the issue of a convertible note by the Company. The major asset of Exceptional Gain Profits Limited is its 50% interest in Kingsway Hotel Limited. Kingsway Hotel is currently under renovation to becoming a luxurious boutique hotel and the renovation is expected to be completed in September 2008. The proposed acquisition was approved by the independent shareholders on 31 December 2007. Due to additional time is required for the bank to release and change of security provided in relation to Kingsway Hotel, the completion of the proposed acquisition is expected to take place in the second quarter of 2008.

Future Prospects

As Mainland China's economy continues to expand, foreign investment will continue to flow into Beijing and more multi-national corporations will establish regional offices in Beijing, resulting in an increasing need for expatriate accommodation. With the opening of Shama Luxe Chang An in early June 2008, the Group is now better positioned to take advantage of this growth. The directors believe that Shama Luxe Chang An will provide the Group with a long-term recurrent income, which have a positive impact on the Group's profitability.

Macau has been successfully established itself as a world-class gaming and leisure destination in Asia in recent years. According to the Macau Government Tourism Office, the number of new visitors was up 23% to 27,000,000 in 2007. Most visitors, many of them coming under individual traveler agreements with 44 Mainland cities, need more hotels and related services. Currently, hotels in Macau are mainly five-star and three-star and there are no stylish, comfort and luxury boutique hotels in the market. As the directors believe that there is a demand for stylish, comfort and luxury boutique hotels in Macau from the growing "middle-class" Mainland visitors, the Group is in the process of acquiring Kingsway Hotel Limited. The directors also believe that Kingsway Hotel will capture a plenty of guests after its renovation in September 2008. In addition, the directors believe that the value of Kingsway Hotel will be better reflected in the Group as the acquisition of Kingsway Hotel Limited will enable the Group to build up its own branding in hotel and hospitability sector.

Proposed Acquisition

On 28 February 2008, the Group entered into a conditional sale and purchase agreement with Well Will Investment Limited and Mr. Ng Cheuk Fai relating to the proposed acquisition of a 100% of the issued share capital of Rich Daily Group Limited from Well Will Investment Limited at an initial consideration of HK$504,000,000 (subject to adjustment). Rich Daily Group Limited is a management services provider to the Concierge Department of a gaming promoter. The monthly service fee earned by Rich Daily Group Limited is calculated at 0.03% of the monthly rolling turnover generated by the gaming promoter. The initial consideration will be settled by the Group paying HK$360,000,000 in cash and issuing of convertible bonds in an aggregate principal amount of HK$144,000,000. The proposed acquisition constitutes a very substantial acquisition for the Company under the Listing Rules. Accordingly, the proposed acquisition is subject to shareholders' approval at a special general meeting.

Proposed Capital Reorganisation and Proposed Change of the Company's Name

On 19 March 2008, the board of directors proposed the following changes to the capital of the Company (the "Proposed Capital Reorganisation"):

(a) share consolidation: that every ten (10) issued and unissued existing ordinary shares of HK$0.10 each in the share capital of the Company be consolidated into one (1) ordinary share of HK$1.00 each (the "Consolidated Share") in the share capital of the Company;

(b) capital reduction: that the issued Consolidated Shares be reduced by cancelling from the paid-up capital thereof to the extent of HK$0.99 of each issued Consolidated Share and reducing the nominal value of all the Consolidated Shares comprising the authorised share capital of the Company from HK$1.00 each to HK$0.01 each; and

(c) share premium cancellation: that the entire amount of HK$813,058,000 standing to the credit of the share premium account of the Company at 31 December 2007 be cancelled and such credit amount arising from the share premium cancellation be applied to the contributed surplus account of the Company where it will be utilised by the board of directors in accordance with bye-laws of the Company and all applicable laws, including to eliminate the accumulated losses of the Company of HK$518,374,000 at 31 December 2006 entirely.

The board of directors also proposed to change the board lot size for trading in the Company's shares from 10,000 shares of HK$0.10 each to 5,000 shares of HK$0.01 each upon the Proposed Capital Reorganisation becoming effective.

The Proposed Capital Reorganisation will reduce the overall transaction and handling costs for dealing in the Company's shares and allow the Company to declare dividends to its shareholders at an earlier opportunity than generating profits to offset its accumulated losses.

On 19 March 2008, the board of directors also proposed to change the Company's name from "Riche Multi-Media Holdings Limited" to "China Star Investment Holdings Limited" and upon the name change become effective, the new Chinese name "中國星投資有限公司" will be adopted to replace "豐采多媒體集團有限公司" for identification purposes only. The directors believe that the change of the Company's name would reflect China Star Entertainment Limited is the largest shareholder of the Company and would provide a better reflection of the existing business of the Group as the name "Riche Multi-Media Holdings Limited" has over the years been synonymous with film distribution and multi-media business.

A special general meeting will be held on 30 April 2008 for shareholders to consider and approve the Proposed Capital Reorganisation and the proposed change of the Company's name.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respect and not misleading or deceptive, and there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as at the Latest Practicable Date, no Directors or chief executive of the Company had or was deemed to have interests or short position in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in the Shares

Name of Director	Capacity	Interests in Shares	Interests in underlying Shares	Total interests in Shares	Approximate percentage of the issued share capital of the Company
Mr. Lei Hong Wai	Beneficial owner	1,320,000	1,035,559	2,355,559	0.85%
Mr. Chan Kin Wah, Billy	Beneficial owner	1,320,000	1,035,559	2,355,559	0.85%

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors, no other person or companies had an interest or short positions in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Long positions

Name	*Notes*	Capacity	Interests in Shares	Interests in underlying Shares	Total interests in Shares	Approximate percentage of the issued share capital of the Company
Thought Diamond International Limited	*1*	Beneficial owner	56,000,000	—	56,000,000	20.32%
Mr. Cheung Kwok Fan	*1*	Held by controlled corporation	56,000,000	—	56,000,000	20.32%
Mr. Gu San Guan		Beneficial owner	27,180,000	—	27,180,000	11.80%
Mr. Man Kong Yui		Beneficial owner	26,420,000	—	26,420,000	9.59%
Asia Vest Partners VII Limited	*2*	Held by controlled corporation	1,294,921	—	1,294,921	9.95%
Asia Vest Partners X Limited	*2*	Held by controlled corporation	1,294,921	—	1,294,921	9.95%

Name	*Notes*	Capacity	Interests in Shares	Interests in underlying Shares	Total interests in Shares	Approximate percentage of the issued share capital of the Company
Asia Vest Partners Limited	*2*	Held by controlled corporation	1,294,921	—	1,294,921	9.95%
Mr. Andrew Nan Sherrill	*2*	Held by controlled corporation	1,294,921	—	1,294,921	9.95%
Kingston Securities Limited	*3*	Other	1	879,960,951	879,960,952	75.00%
Galaxy Sky Investments Limited	*3*	Held by controlled corporation	1	879,960,951	879,960,952	75.00%
Eagle Mission Limited	*3*	Held by controlled corporation	1	879,960,951	879,960,952	75.00%
Active Dynamic Limited	*3*	Held by controlled corporation	1	879,960,951	879,960,952	75.00%
Ms. Chu Yuet Wah	*3*	Held by controlled corporation	1	879,960,951	879,960,952	75.00%

Notes:

1. Thought Diamond International Limited is wholly and beneficially owned by Mr. Cheung Kwok Fan.

2. The number of Shares was adjusted for the share consolidations that took effective on 30 April 2008 and 23 April 2009.

3. Kingston Securities Limited is wholly owned by Galaxy Sky Investments Limited. Galaxy Sky Investments Limited is 80% owned by Eagle Mission Limited. Eagle Mission Limited is wholly owned by Active Dynamic Limited. Active Dynamic Limited is wholly owned by Ms. Chu Yuet Wah.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the date of this circular and which was significant in relation to the business of the Group.

None of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2009, being the date to which the latest published audited consolidated accounts of the Group were made up.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business or interest that competes or may compete with the business of the Group or any other conflicts of interest with the Group.

6. LITIGATION

As at the Latest Practicable Date, the Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with any member of the Group which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

8. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinion and advice, which is contained in this circular:

Name	Qualifications
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants

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

9. EXPERT'S INTERESTS IN ASSETS

As at the Latest Practicable Date, HLB Hodgson Impey Cheng:

(a) was not interested, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2009, being the date to which the latest published audited consolidated accounts of the Group were made up; and

(b) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. MISCELLANEOUS

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal office of the Company is situated at Unit 3811, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong.

(b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited, having its office situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) Mr. Chan Kin Wah, Billy, the company secretary of the Company, is a member of the Hong Kong Institute of Certified Public Accountants, a CPA member of CPA Australia and a non-practicing member of the Chinese Institute of Certified Public Accountants. He holds a Bachelor of Administration Degree from University of Ottawa in Canada and a Master of Commerce Degree in Professional Accounting from University of New South Wales in Australia.

(d) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in the case of inconsistency.

11. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

(i) the placing agreement dated 4 November 2008 (as supplemented by a supplemental agreement dated 6 November 2008) entered into between the Company and Kingston Securities Limited, pursuant to which the Company has conditionally agreed to place, through Kingston Securities Limited, on a best effort basis a maximum of 500,000,000 new shares of HK$0.01 each in the then share capital of the Company by a maximum of five tranches to independent investors at a price of HK$0.05 per share;

(ii) the conditional sale and purchase agreement dated 26 November 2008 entered into between Riche, Mega Shell Services Limited and Golife Concepts Holdings Limited ("Golife") in relation to the proposed disposal of the entire issued share capital of Shinhan-Golden Faith International Development Limited and World East Investments Limited and two sale loans by Riche for a consideration of HK$211,466,310 (subject to adjustment);

(iii) the termination agreement dated 23 December 2008 entered into Legend Rich Limited, an indirect wholly-owned subsidiary of the Company, the Company and China Star Entertainment Limited in relation to the termination of the conditional sale and purchase agreement dated 1 August 2007 relating to the acquisition of a 100% interest in the issued share capital of Exceptional Gain Profit Limited and a sale loan for a consideration of HK$447 million;

(iv) the top-up placing agreement dated 29 December 2008 entered into among the Company, Kingston Securities Limited and Classical Statue Limited. Pursuant to the top-up placing agreement, Classical Statue Limited has agreed to place, through Kingston Securities Limited, 39,000,000 existing shares of HK$0.01 each in the then issued share capital of the Company beneficially owned by it, on a fully underwritten basis, to not fewer than six independent investors at a price of HK$0.102 per share. Pursuant to the top-up placing agreement, Classical Statue Limited has conditionally agreed to subscribe for 39,000,000 new shares of HK$0.01 each in the then share capital of the Company at a price of HK$0.102 per share;

(v) the underwriting agreement dated 16 February 2009 entered into between the Company and Kingston Securities Limited in relation to the proposed issue of not less than 217,093,498 and not more than 367,093,498 new shares of HK$0.01 each in the then issued share capital of the Company at a subscription price of HK$0.10 per new share by way of open offer to the qualifying Shareholders for subscription on the basis of one new share for every two existing shares held on the record date;

(vi) the conditional loan agreement dated 11 March 2009 entered into between the Company as lender and China Star Entertainment Limited as borrower, pursuant to which the Company had conditionally agreed to make available the loan facility of up to HK$200 million to China Star Entertainment Limited;

(vii) the deed of termination dated 18 March 2009 entered into between Rich Joy Investments Limited and Best Season Holdings Corp., a 75% owned subsidiary of the Group, in relation to the termination of the facility agreement dated 11 May 2007 entered into between Rich Joy Investments Limited and Best Season Holdings Corp. in relation to the revolving facility of up to HK$200 million;

(viii) the undertaking dated 23 April 2009 given by Riche to Golife and Kingston Securities Limited relating to (i) subscription for 94,153,552 new shares of Golife at a subscription price of HK$0.10 per share to which Riche is entitled under the open offer announced by Golife on 23 April 2009; and (ii) not to exercise any of the conversion rights attached to the convertible bonds in an aggregate principal amount of HK$100 million issued by Golife on or before 8 June 2009;

(ix) the subscription agreement dated 23 July 2009 entered into between China Star Entertainment Limited and the Company in respect of subscription of convertible bonds of HK$200 million issued by China Star Entertainment Limited;

(x) the placing and subscription agreement dated 28 August 2009 entered into among the Company, Kingston Securities Limited and Classical Statue Limited. Pursuant to the placing and subscription agreement, Classical Statue Limited has agreed to place, through Kingston Securities Limited, 22,000,000 existing Shares beneficially owned by it, on a fully underwritten basis, to not less than six independent investors at a price of HK$0.42 per Share. Pursuant to the placing and subscription agreement, Classical Statue Limited has conditionally agreed to subscribe for 22,000,000 new Shares at a price of HK$0.42 per Share;

(xi) the conditional placing agreement dated 12 October 2009 entered into between Simple View Investment Limited, a wholly-owned subsidiary of the Company, and Kingston Securities Limited, pursuant to which Simple View Investment Limited has conditionally agreed to place, through Kingston Securities Limited, 320,000,000 shares of China Star Entertainment Limited to not fewer than six independent investors at a price of HK$0.20 per share;

(xii) the sale and purchase agreement dated 31 March 2010 entered into between Riche and Mr. Man Kong Yui in relation to (i) the sale and purchase of 6,750,000 shares with a par value of HK$1.00 each in the capital of Hantec Holdings Investment Limited for a consideration of HK$18 million, which shall be settled by Riche procuring the Company to allot and issue 26,420,000 new Shares credited as fully paid to Mr. Man Kong Yui upon completion; and (ii) the granting of a call option by Riche to Mr. Man Kong Yui to acquire the 6,750,000 shares in Hantec Holdings Investment Limited from Riche for a consideration of HK$21.6 million within one year from the date of completion;

(xiii) the joint venture agreement dated 24 June 2010 entered into between Max Winner Investments Limited, a wholly-owned subsidiary of the Company, and Yiu Hing International Limited, pursuant to which Max Winner Investments Limited and Yiu Hing International Limited have agreed to form a joint venture company to engage in organic agricultural business in the People's Republic of China. The joint venture company will be owned as to 50% by Max Winner Investments Limited and as to 50% by Yiu Hing International Limited. The total capital contribution of the joint venture company is HK$60 million. Each of Max Winner Investments Limited and Yiu Hing International Limited shall contribute HK$30 million;

(xiv) the placing agreement dated 12 July 2010 entered into between the Company and Kingston Securities Limited, pursuant to which the Company has conditional by agreed to place, through Kingston Securities Limited on a best effort basis, a maximum of 45,920,000 new Shares to not fewer than six independent investors at a price of HK$0.55 per Share;

(xv) the JV Agreement;

(xvi) the Facility Agreement; and

(xvii) the underwriting agreement dated 28 July 2010 entered into between the Company and Kingston Securities Limited in relation to the proposed issue of not less than 826,584,147 and not more than 879,960,951 new Shares to the qualifying Shareholders by way of rights issue at a price of HK$0.40 per new Share on the basis of three new Shares for every one existing Share held on the record date.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Unit 3811, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong during normal business hours on any weekday other than public holidays, up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for the financial years ended 31 December 2007, 2008 and 2009;

(c) the written consents referred to in the paragraph headed “Expert and Consent” to this Appendix;

(d) the material contracts referred to in the paragraph headed “Material Contracts” to this Appendix;

(e) a copy of each of the circulars issued by the Company pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules since 31 December 2009, being the date of the latest published audited accounts of the Company; and

(f) this circular.

永恒策略投資有限公司

ETERNITY INVESTMENT LIMITED

(formerly known as China Star Investment Holdings Limited)

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

NOTICE IS HEREBY GIVEN THAT a special general meeting of Eternity Investment Limited (the "**Company**") will be held at Board Room, 1st Floor, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong on Friday, 3 September 2010 at 4:10 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolution:

ORDINARY RESOLUTION

"**THAT**

(i) the joint venture agreement dated 21 July 2010 and entered into between Riche (BVI) Limited, Campbell Shillinglaw & Partners (Vietnam) Limited and Victory Peace Holdings Limited (the "**JV Agreement**") (a copy of which has been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification) in relation to the formation of Victory Peace Holdings Limited (the "**JV Co.**"); and

(ii) the agreement dated 21 July 2010 and entered into between the Company and the JV Co. (the "**Facility Agreement**") (a copy of which has been produced to the meeting marked "B" and signed by the Chairman of the meeting for the purpose of identification) in relation to the revolving facility of up to HK$700 million to be granted by the Company to the JV Co.

be and are hereby approved, ratified and confirmed in all respects and that all transactions contemplated under the JV Agreement and the Facility Agreement be and are hereby approved, ratified and confirmed and that one director of the Company be and is hereby authorised to do or execute all such acts or such other documents which the director of the Company may deem to be necessary, desirable or expedient to carry into effect or to give effect to all transactions contemplated under the JV Agreement and the Facility Agreement."

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

Hong Kong, 16 August 2010

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Unit 3811, Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

3. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or if he is the holder of two or more shares, more than one proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof.

5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.

6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.