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ETERNITY INVESTMENT LIMITED

(Formerly known as China Star Investment Holdings Limited)

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board of directors (the “Board”) of Eternity Investment Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010 together with the comparative figures for 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2010	2009
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Continuing operations			
Turnover	3	32,784	28,346
Cost of sales		(363)	(642)
Gross profit		32,421	27,704
Other revenue and other income	4	6,831	3,134
Administrative expenses		(5,673)	(5,715)
Impairment loss recognised in respect of intangible assets		(4,856)	(117,320)
(Loss)/gain arising on fair value change in financial assets at fair value through profit or loss		(15,136)	7,750

	<i>Notes</i>	Six months ended 30 June	
		2010	2009
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Gain/(loss) arising on fair value change in conversion options embedded in convertible note receivable		1,525	(23,144)
Gain arising on early repayment of convertible note receivable and promissory note receivable		140,589	—
Gain arising on fair value change in derivative financial instrument		1,574	—
Loss on disposal of subsidiaries		—	(48,868)
Loss on deemed disposal of an associate		(106,133)	(4,931)
Share of results of associates		(14,404)	14,556
Profit/(loss) from operations	5	36,738	(146,834)
Finance costs	6	(2,656)	(5,221)
Profit/(loss) before taxation		34,082	(152,055)
Income tax credit	7	942	14,341
Profit/(loss) for the period from continuing operations		35,024	(137,714)
Discontinued operations			
Loss for the period from discontinued operations	8	—	(5,576)
Profit/(loss) for the period		35,024	(143,290)
Profit/(loss) attributable to owners of the Company		35,024	(143,290)
Interim dividend	9	35,198	—
Earnings/(loss) per share	10		
From continuing operations			
— Basic		HK17.16 cents	(HK189.38 cents)
— Diluted		HK17.13 cents	(HK189.38 cents)
From discontinued operations			
Basic and diluted		—	(HK7.67 cents)
From continuing and discontinued operations			
— Basic		HK17.16 cents	(HK197.05 cents)
— Diluted		HK17.13 cents	(HK197.05 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	<u>35,024</u>	<u>(143,290)</u>
Other comprehensive income for the period (after tax and reclassification adjustments):		
Exchange differences on translating of foreign subsidiaries	—	424
Share of exchange reserve of associate	<u>(83)</u>	<u>105</u>
	<u>(83)</u>	<u>529</u>
Total comprehensive income/(loss) for the period	<u><u>34,941</u></u>	<u><u>(142,761)</u></u>
Attributable to:		
Owners of the Company	<u><u>34,941</u></u>	<u><u>(142,761)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2010 <i>HK\$'000</i> (Unaudited)	At 31 December 2009 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		1,653	1,838
Intangible assets		334,681	339,537
Interests in associates		495,975	641,908
Promissory note receivable		—	31,853
Convertible note receivable		—	3,670
Available-for-sale financial assets		17,432	172
		849,741	1,018,978
Current assets			
Trade receivables	<i>11</i>	5,108	6,022
Deposits, prepayments and other receivables		31,181	1,015
Loan to an associate		—	155,536
Financial assets at fair value through profit or loss		10,392	—
Amount due from an associate		5,103	5,103
Conversion options embedded in convertible note receivable		—	18,316
Cash and cash equivalents		644,282	275,802
		696,066	461,794
Total assets		1,545,807	1,480,772
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		2,296	1,881
Reserves		1,431,021	1,369,163
Total equity		1,433,317	1,371,044

	At 30 June 2010 <i>HK\$'000</i> (Unaudited)	At 31 December 2009 <i>HK\$'000</i> (Audited)
LIABILITIES		
Current liabilities		
Derivative financial instrument	1,665	—
Accruals and other payables	11,384	10,200
Trade deposits received	477	477
Tax payable	731	731
	<u>14,257</u>	<u>11,408</u>
Non-current liabilities		
Convertible note payable	55,419	54,563
Deferred taxation	42,814	43,757
	<u>98,233</u>	<u>98,320</u>
Total liabilities	<u><u>112,490</u></u>	<u><u>109,728</u></u>
Total equity and liabilities	<u><u>1,545,807</u></u>	<u><u>1,480,772</u></u>
Net current assets	<u><u>681,809</u></u>	<u><u>450,386</u></u>
Total assets less current liabilities	<u><u>1,531,550</u></u>	<u><u>1,469,364</u></u>

Notes:

1. Basis of preparation

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

The Interim Financial Statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2009.

The Interim Financial Statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

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

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2009.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the “new HKFRSs”), which are effective for the Group’s accounting period beginning 1 January 2010.

Standards, amendments or interpretations issued and effective

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008
HKFRS (Amendments)	Annual Improvements to HKFRSs 2009
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

HKFRS 3 (Revised) “Business Combinations” continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs are expensed.

As the Group has adopted HKFRS 3 (Revised), it is required to adopt HKAS 27 (Revised) “Consolidated and Separated Financial Statements” at the same time. HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions with no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

Save as described above, the new HKFRSs which are effective in this accounting period are not relevant to the Group’s operation.

3. Operating segments

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

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

(a) Segment result, assets and liabilities

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

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

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

Six months ended 30 June 2010

	Distribution <i>HK\$'000</i> (Unaudited)	Sub-licensing <i>HK\$'000</i> (Unaudited)	Sales of financial assets <i>HK\$'000</i> (Unaudited)	Provision of management services <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Continuing operations						
Revenue						
Revenue from external customers	—	—	(2,132)	34,916	—	32,784
Results						
Segment results for reportable segments	—	—	(2,132)	34,553	—	32,421
Other revenue and other income						6,831
Administrative expenses						(5,673)
Finance costs						(2,656)
Share of results of associates						(14,404)
Profit before taxation and discontinued operations						16,519
Income tax credit						942
Profit for the period from continuing operations attributable to owners of the Company						17,461
Discontinued operations						
Loss for the period from discontinued operations attributable to owners of the Company						—
Core profit (excluding major non-cash items)						17,461
Major non-cash items						
— Impairment loss recognised in respect of intangible assets						(4,856)
— Gain arising on fair value change in conversion options embedded in convertible note receivable						1,525
— Loss on deemed disposal of an associate						(106,133)
— Loss arising on fair value change in financial assets at fair value through profit or loss						(15,136)
— Gain arising on early repayment of convertible note receivable and promissory note receivable						140,589
— Gain arising on fair value change in derivative financial instrument						1,574
						35,024
Segment assets	1,620	—	91,325	339,789	1,113,073	1,545,807
Segment liabilities	—	—	—	31,434	81,056	112,490

Six months ended 30 June 2009

	Distribution <i>HK\$'000</i> (Unaudited)	Sub-licensing <i>HK\$'000</i> (Unaudited)	Sales of financial assets <i>HK\$'000</i> (Unaudited)	Provision of management services <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Continuing operations						
Revenue						
Revenue from external customers	—	—	—	28,346	—	28,346
Results						
Segment results for reportable segment	—	—	—	27,704	—	27,704
Other revenue and other income						3,134
Administrative expenses						(5,715)
Finance costs						(5,221)
Share of results of associates						14,556
Profit before taxation and discontinued operations						34,458
Income tax credit						14,341
Profit for the period from continuing operations attributable to owners of the Company						48,799
Discontinued operations						
Loss for the period from discontinued operations attributable to owners of the Company						(5,576)
Core profit (excluding major non-cash items)						43,223
Major non-cash items						
— Impairment loss recognised in respect of intangible assets						(117,320)
— Loss arising on fair value change in conversion options embedded in convertible note receivable						(23,144)
— Gain arising on fair value change in financial assets at fair value through profit or loss						7,750
— Loss on disposal of subsidiaries						(48,868)
— Loss on deemed disposal of an associate						(4,931)
Segment assets	—	16	46,672	343,609	634,681	1,024,978
Segment liabilities	—	—	617	35,000	163,271	198,888

(b) Geographical segments — Turnover

	Continuing operations		Discontinued operations	
	Six months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong and Macau	32,784	28,346	—	—
The People's Republic of China (the "PRC")	—	—	—	3,102
	<u>32,784</u>	<u>28,346</u>	<u>—</u>	<u>3,102</u>

4. Other revenue and other income

	Continuing operations		Discontinued operations		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other revenue						
Interest income on loan to a related company	—	1,726	—	—	—	1,726
Interest income on bank deposits	232	—	—	465	232	465
Dividend income	2,542	—	—	—	2,542	—
Sundry income	10	—	—	47	10	47
	<u>2,784</u>	<u>1,726</u>	<u>—</u>	<u>512</u>	<u>2,784</u>	<u>2,238</u>
Other income						
Imputed interest income on:						
— convertible note receivable	527	273	—	—	527	273
— promissory note receivable	3,520	1,135	—	—	3,520	1,135
	<u>4,047</u>	<u>1,408</u>	<u>—</u>	<u>—</u>	<u>4,047</u>	<u>1,408</u>
	<u>6,831</u>	<u>3,134</u>	<u>—</u>	<u>512</u>	<u>6,831</u>	<u>3,646</u>

5. Profit/(loss) from operations

	Continuing operations		Discontinued operations		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	211	256	—	1,293	211	1,549
Share-based payment expenses in respect of consultancy services	671	—	—	—	671	—
Staff costs including directors' emoluments:						
— salaries and other allowances	670	3,391	—	942	670	4,333
— contributions to retirement benefits scheme	18	72	—	—	18	72
— share-based payment expenses	1,639	—	—	—	1,639	—
	<u>1,639</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,639</u>	<u>—</u>

6. Finance costs

	Continuing operations		Discontinued operations		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expenses on secured bank loan wholly repayable within five years	—	—	—	5,678	—	5,678
Imputed interest expense on convertible notes payable	2,656	5,221	—	—	2,656	5,221
	<u>2,656</u>	<u>5,221</u>	<u>—</u>	<u>5,678</u>	<u>2,656</u>	<u>10,899</u>

7. Income tax credit/(expense)

	Continuing operations		Discontinued operations		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax	—	—	—	—	—	—
Deferred taxation	942	14,341	—	(601)	942	13,740
	<u>942</u>	<u>14,341</u>	<u>—</u>	<u>(601)</u>	<u>942</u>	<u>13,740</u>

No provision for Hong Kong Profits Tax, the PRC Corporate Income Tax or Macau Complementary Profits Tax has been made for the six months ended 30 June 2010 (2009: Nil) since the Group has no estimated assessable profits or its estimated assessable profit is wholly absorbed by the estimated tax loss brought forward.

The deferred tax credit of HK\$942,000 (2009: HK\$14,341,000) represented the deferred tax credit on impairment loss on intangible assets of HK\$801,000 and the reversal of deferred tax on imputed interest expense on convertible note payable of HK\$141,000.

8. Results of discontinued operations

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Turnover	—	3,102
Cost of sales	—	(1,652)
Gross profit	—	1,450
Other revenue and other income	—	512
Administrative expenses	—	(3,261)
Change in fair value of investment properties	—	2,002
Profit from operations	—	703
Finance costs	—	(5,678)
Loss before taxation	—	(4,975)
Taxation	—	(601)
Loss for the period	<u>—</u>	<u>(5,576)</u>

9. Interim dividend

The Board has declared an interim dividend of HK\$0.03 (2009: Nil) per share to shareholders whose names appear on the Company's register of members on 15 October 2010. The interim dividend will be paid on 1 November 2010.

If the rights issue as announced by the Company on 28 July 2010 proceeds, the new shares to be issued under the rights issue will also be entitled to the interim dividend. On the basis that a maximum of 879,960,951 new shares are issued under the rights issue, the interim dividend will be amounted to approximately HK\$35,198,000.

This dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

10. Earnings/(loss) per share

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to owners of the Company		
From continuing operations	35,024	(137,714)
From discontinued operations	—	(5,576)
	<u>35,024</u>	<u>(143,290)</u>
From continuing and discontinued operations	<u>35,024</u>	<u>(143,290)</u>
	Number of ordinary shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	204,155	72,720
Effect of dilutive potential ordinary shares:		
Share options	<u>268</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>204,423</u>	<u>72,720</u>

The calculation of diluted earnings per share for the six months ended 30 June 2010 has not assumed the conversion of the convertible note payable as these potential ordinary shares would have anti-dilutive effect.

11. Trade receivables

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

	At 30 June 2010 <i>HK\$'000</i> (Unaudited)	At 31 December 2009 <i>HK\$'000</i> (Audited)
0 — 30 days	5,108	6,022
31 — 60 days	—	—
61 — 90 days	—	—
Over 90 days	—	—
	<hr/> 5,108 <hr/>	<hr/> 6,022 <hr/>

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

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.03 (2009: Nil) per share to shareholders whose names appear on the Company's register of members on 15 October 2010. The interim dividend will be paid on 1 November 2010.

If the rights issue as announced by the Company on 28 July 2010 proceeds, the new shares to be issued under the rights issue will also be entitled to the interim dividend. On the basis that a maximum of 879,960,951 new shares are issued under the rights issue, the interim dividend will be amounted to approximately HK\$35,198,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Review of continuing operations

During the six months ended 30 June 2010, the Group recorded a revenue of HK\$32,784,000, a 15.66% increase from HK\$28,346,000 for the same period of the previous year. The increase was attributable to the increase in service fee income generated from provision of management services business. Of the total turnover amount, HK\$34,916,000 was generated from provision of management services, which was partly offset by a loss of HK\$2,132,000 from sale of financial assets recorded in turnover on a “net basis”. Profit for the six months ended 30 June 2010 amounted to HK\$35,024,000, whereas the Group recorded a loss of HK\$143,290,000 for the correspondence period in 2009. The turnaround in the Group’s performance was mainly attributable to the recognition of a gain arising on early repayment of convertible note receivable and promissory note receivable of HK\$140,589,000, which was partly offset by a loss on deemed disposal of an associate of HK\$106,133,000.

Cost of sales for the six months ended 30 June 2010 amounted to HK\$363,000, which was wholly related to provision of management services. Based on the turnover of HK\$34,916,000, the gross profit margin for provision of management services was 98.96%.

Other revenue and other income increased by 117.96% from HK\$3,134,000 in the six months ended 30 June 2009 to HK\$6,831,000 in the six months ended 30 June 2010. The increase was mainly attributable to the receipt of a special dividend of HK\$2,542,000 distributed by China Star Film Group Limited (“China Star Film”) and the full half-year effect of the imputed interest income on convertible note receivable and promissory note receivable as they were issued in April 2009.

Administrative expenses (before depreciation) amounted to HK\$5,462,000 for the six months ended 30 June 2010, a slight increase from HK\$5,459,000 for the same period of the previous year. The slight increase was mainly attributable to share-based payment expenses of HK\$2,310,000, which was almost entirely offset by the decrease in overheads resulted from improving the Group’s cost structure for a challenging economic environment.

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

On 21 January 2010, the Group ceased to have significant influence over China Star Film, a then listed associate, and discontinued the use of the equity method. Instead, the Group accounted for its investment in China Star Film as financial asset at fair value through profit or loss. As a result, a loss arising on fair value change in financial assets at fair value through profit or loss of HK\$21,028,000 was recognised, which was partly offset by a gain arising on fair value change in financial assets at fair value through profit or loss of HK\$5,892,000 as discussed below.

During the six months 30 June 2010, the Group recognised a gain arising on fair value change in financial assets at fair value through profit or loss of HK\$5,892,000, representing a gain of HK\$2,900,000 arising from revaluating the Group's Hong Kong equities at market prices and a gain of HK\$2,992,000 arising from the bonus issue of warrants by China Star Entertainment Limited ("China Star Entertainment"), a listed associate.

During the six months ended 30 June 2010, the Group recognised a gain arising on change in fair value in respect of conversion options embedded in the convertible note receivable from China Star Film of HK\$1,525,000.

In May 2010, the convertible note receivable of HK\$100,000,000 and the promissory note receivable of HK\$100,000,000 were repaid by China Star Film before their maturity. Accordingly, a gain arising on early repayment of convertible note receivable and promissory note receivable of HK\$140,589,000 was recognised.

As the Group acquired 6,750,000 shares (the "Hantec Sales Shares") in Hantec Holdings Investment Limited ("Hantec"), representing 4.5% of the entire issued share capital of Hantec, from Mr. Man Kong Yui at a consideration of HK\$18,000,000 and granted a call option to Mr. Man to acquire the Hantec Sale Shares from the Group at a consideration of HK\$21,600,000, the Group recognised a gain arising on fair value change in derivative financial instrument of HK\$1,574,000.

During the six months ended 30 June 2010, the Group recognised a loss on deemed disposal of an associate of HK\$106,133,000 as China Star Entertainment issued 592,790,000 new shares causing a dilution of the Group's shareholding interest in it.

During the six months ended 30 June 2010, China Star Film and China Star Entertainment contributed a loss of HK\$543,000 and a loss of HK\$13,861,000 to the Group respectively.

Finance costs decreased from HK\$5,221,000 in the six months ended 30 June 2009 to HK\$2,656,000 in the six months ended 30 June 2010. The decrease was due to the deduction of convertible note payable of HK\$72,000,000 in adjusting the consideration for acquiring the provision of management services business in July 2009.

The Group recorded an income tax credit of HK\$942,000 which represented the deferred tax credit on impairment loss on intangible assets of HK\$801,000 and the reversal of deferred tax on imputed interest expense on convertible note payable of HK\$141,000.

Liquidity and financial resources

During the six months ended 30 June 2010, the Group mainly funded its operations through a combination of cash generated from operations, equity attributable to owners of the Company, convertible note payable and issue of new shares. Equity attributable to owners of the Company increased from HK\$1,371,044,000 at 31 December 2009 to HK\$1,433,317,000 at 30 June 2010.

At 30 June 2010, the cash and cash equivalents of the Group amounted to HK\$644,282,000 (31 December 2009: HK\$275,802,000). The increase was mainly attributable to the repayment of loan of HK\$155,536,000 by 上海昇平文化發展有限公司 (“Shanghai Shengping”) and the early repayment of convertible note receivable of HK\$100,000,000 and promissory note receivable of HK\$100,000,000 by China Star Film.

At 30 June 2010, the total borrowings of the Group amounted to HK\$55,419,000 (31 December 2009: HK\$54,563,000), representing the liability component of a convertible note payable of HK\$72,000,000 which is 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 owners of the Company was 3.87% (31 December 2009: 3.98%).

Net current assets and current ratio

At 30 June 2010, the Group’s net current assets and current ratio were HK\$681,809,000 (31 December 2009: HK\$450,386,000) and 48.82 (31 December 2009: 40.48), respectively.

Capital structure

During the six months ended 30 June 2010, the capital structure of the Company had the following changes:

- (a) On 16 April 2010, the Company issued 26,420,000 new shares credited as fully paid to Mr. Man Kong Yui for settling the consideration for acquiring the Hantec Sale Shares.
- (b) On 29 April 2010, the Company issued 5,680,000 new shares at a price of HK\$0.64 per share and 5,830,000 new shares at a price of HK\$0.60 per share pursuant to the exercise of share options granted to the directors and the Group’s employees and consultants.
- (c) On 5 May 2010, the Company issued 990,000 new shares at a price of HK\$0.60 per share and 1,600,000 new shares at a price of HK\$0.64 per share pursuant to the exercise of share options granted to the Group’s employees and consultants.
- (d) On 10 June 2010, the Company issued 960,000 new shares at a price of HK\$0.66 per share pursuant to the exercise of share options granted to an employee of the Group.

Material acquisitions

During the six months ended 30 June 2010, the Group had the following material acquisitions:

- (a) On 31 March 2010, the Group entered into the conditional sale and purchase agreement with Mr. Man Kong Yui, pursuant to which the Group has conditionally agreed to acquire the Hantec Sale Shares from Mr. Man for a consideration of HK\$18,000,000. The consideration would be settled by the Company issuing 26,420,000 new shares credited as fully paid to Mr. Man upon completion.

Pursuant to the conditional sale and purchase agreement, the Group has agreed to grant the call option to Mr. Man to acquire the Hantec Sale Shares from the Group for a consideration of HK\$21,600,000 within one year from the date of completion.

The acquisition of the Hantec Sale Shares was completed on 16 April 2010.

- (b) On 24 June 2010, the Group and Yiu Hing International Limited (“Yiu Hing”) entered into the joint venture agreement relating to the formation of a joint venture company engaged in organic agricultural business in Mainland China. The joint venture company is owned as to 50% by the Group and as to 50% by Yiu Hing. The total capital contribution of the joint venture is HK\$60,000,000. Each of the Group and Yiu Hing shall contribute HK\$30,000,000 in cash.

Material disposals

During the six months ended 30 June 2010, the Group had the following material disposals:

- (a) On 21 January 2010, the Group ceased to have significant influence over China Star Film as Mr. Heung Wah Keung, a then director of the Company, resigned as a director of China Star Film on that date. The Group discontinued to account for its interest in China Star Film under equity method of accounting. Instead, it has been accounted for financial asset in accordance with HKAS 39 “Financial Instruments: Recognition and Measurement”.
- (b) In the first quarter of 2010, China Star Entertainment issued 592,790,000 new shares pursuant to the exercise of share options and the subscription of new shares by an independent third party, which caused the Group’s interest in China Star Entertainment diluted from 29.61% to 23.54%. The Group was deemed to dispose of 6.07% shareholding interest in China Star Entertainment.

Loan to Shanghai Shengping

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

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

Pledge of assets

At 30 June 2010, no assets of the Group were pledged.

Commitments

At 30 June 2010, the Group had no material commitments.

Exchange risk and hedging

During the six months ended 30 June 2010, the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars. Accordingly, no financial instruments for hedging purposes have been used by the Group.

Contingent liabilities

At 30 June 2010, the Group had no material contingent liabilities.

Employees and remuneration policy

At 30 June 2010, the headcount of the Group was 9 (2009: 20). Staff costs (including directors' remuneration) amounted to HK\$2,327,000 (2009: HK\$3,463,000 for continuing operations; HK\$942,000 for discontinued operations). In addition to basic salaries, provident fund and discretionary bonus, staff benefits include medical scheme and share options.

Operations Review

During the six months ended 30 June 2010, no revenue was generated from the Group's film distribution business as the Group was not able to secure quality films at reasonable prices for distribution.

Due to Europe's sovereign debt issues and Mainland China's selective tightening policy, equity markets were volatile in the second quarter of 2010. The Group has started to rebuild its stocks portfolio by investing HK\$4,500,000 in Hong Kong equities. As the Group has ceased to have significant influence over China Star Film in January 2010, the Group disposed of its entire shareholding interest in China Star Film on market in May 2010.

During the six months ended 30 June 2010, the Group's provision of management services business generated services fee income amounted to HK\$34,916,000, a 23% increase as compared to the same period of the previous year. The increase was mainly due to a strong growth in Macau VIP gaming revenue in the first half of 2010. The directors believe that Mainland China's economic growth, coupled with a lending boom, has fueled the boom in Macau VIP gaming revenue. On acquisition of Rich Daily Group Limited ("Rich Daily"), the vendor has irrevocably and unconditionally guaranteed to the Group that the service fee income of Rich Daily for the 12-month ended 30 June 2010 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 2010 was HK\$67,061,739. In July 2010, the vendor has settled the shortfall of HK\$4,938,261 in accordance with the acquisition agreement.

With a view to improve profitability and diversify revenue sources, the Group has made the following two investments during the six months ended 30 June 2010:

- (a) The Group acquired the Hantec Sale Shares at a consideration of HK\$18,000,000. Pursuant to the conditional sale and purchase agreement, Mr. Man has given a dividend guarantee for not less than HK\$1,800,000 per annum for the period 16 April 2010, being the date of completion of the acquisition, to 30 June 2010. The directors believe that the investment in Hantec provides a short-term static income flow to the Group.

On 17 May 2010, the Group was notified by Hantec that the registration of the transfer of the Hantec Sale Shares had been declined pursuant to the articles of association of Hantec. On 20 May 2010, a trust deed has been executed by Mr. Man as trustee in favour of the Group as beneficiary, pursuant to which Mr. Man has agreed to act as nominee for the Group in respect of the Hantec Sale Shares and to hold the Hantec Sale Shares on trust for the Group. On the same date, Mr. Man has also given an undertaking in favour of the Group that he shall procure the registration of transfer of the Hantec Sale Shares within six months from the date of the undertaking and, if he fails to procure the registration within the prescribed time, to exercise the call option to acquire the Hantec Sale Shares from the Group at HK\$21,600,000.

- (b) The Group entered into a joint venture agreement with Yiu Hing relating to the formation of a joint venture company in June 2010. The joint venture company is engaged in organic agricultural business, which involves obtaining a land use right of 5,000 hectares in Dingnan County, Ganzhou, Jiangxi Province, Mainland China for growing and sale of organic vegetables. No contribution was made from the joint venture company in the six months ended 30 June 2010 as it has not yet commenced its operations.

Future Prospects

While the global recession may technically be over, equity markets are likely to stay volatile at least a period of time. The directors continue to see market weakness as an opportunity to the Group for building a sustainable growth portfolio. The Group will continue to adopt a prudence approach in investing equities to enhance the returns to its shareholders.

Despite the fact that the Macau gaming revenue had a 67% growth in the first half of 2010, the directors believe that the grow in gaming revenue will be smoother in the second half of 2010 as there is a sign of slowdown on Mainland China's economy. The directors expect that the overall performance of the Group's provision of management services business will report a moderate growth in 2010.

Following the 2008 financial crisis, investors are allocating their wealth from equities and structured products to real estate assets as they believe real estate assets provide not only a stable rental income flow in the short run, but also an opportunity for capital gain in the long run. Real estate assets are also effective against inflation. In July 2010, the Group has entered into a joint venture agreement with a Vietnam construction consultancy firm for setting up a joint venture company engaged in the business of property investment/development in Vietnam, a fast growing market in ASEAN, in order to improve its profitability and diversify its revenue sources. The Group remains active in identifying potential investment targets and expanding new business activities for distributing constant real returns to the Company's shareholders.

Events after the Reporting Period

Subsequent to 30 June 2010 and up to the date of this interim results announcement, the Group had the following material events:

- (a) On 12 July 2010, the Company entered into the placing agreement with Kingston Securities Limited, pursuant to which the Company has conditionally agreed to place, through Kingston Securities Limited on a best effort basis, a maximum of 45,920,000 new shares of the Company to not fewer than six independent professional investors at a price of HK\$0.55 per share. The new shares are issued under the general mandate granted to the directors by the shareholders at the annual general meeting of the Company held on 29 June 2010.

The placing of 45,920,000 new shares was completed on 23 July 2010 and raised a net proceeds of HK\$24,900,000 for general working capital of the Group.

- (b) On 21 July 2010, Riche (BVI) Limited ("Riche"), a wholly-owned subsidiary of the Company, Campbell Shillinglaw & Partners (Vietnam) Limited ("Campbell") and Victory Peace Holdings Limited entered into the joint venture agreement, pursuant to which Riche and Campbell have conditionally agreed to setting up a joint venture company, namely Victory Peace Holdings Limited (the "JV Company"), to engage in the business of conducting, development and investing into real estate and related projects in Vietnam. The JV Company will be held as to 90.1% by Riche and 9.9% by Campbell. Pursuant to the joint venture agreement, the financing requirement of the JV Company shall be solely borne by Riche.

On the same date, the Company and the JV Company entered into the facility agreement, pursuant to which the Company has conditionally agreed to grant a revolving credit facility of HK\$700,000,000 to the JV Company to proceed with its business of conducting, development and investing into real estate and related projects in Vietnam.

The formation of the JV Company and the granting of facility to the JV Company are subject to shareholders' approval at the special general meeting of the Company to be held on 3 September 2010. Please refer to the Company's circular dated 16 August 2010 for more details.

- (c) On 26 July 2010, the Company redeemed the convertible note of HK\$72,000,000 payable to Well Will Investment Limited before its maturity date in order to reduce its finance costs.
- (d) On 28 July 2010, the Company proposed to raise approximately HK\$330,630,000 to HK\$351,980,000, before expenses by way of rights issue of not less than 826,584,147 new shares and not more than 879,960,951 new shares of the Company to qualifying shareholders at a subscription price of HK\$0.40 per share on the basis of three new shares for every one existing share held on 3 September 2010.

On the same date, the Company entered into the underwriting agreement with Kingston Securities Limited as underwriter relating to the underwriting arrangement in respect of the rights issue.

The rights issue is subject to, among other things, shareholders' approval (other than the directors and the chief executive of the Company and their respective associates) at the special general meeting of the Company to be held on 3 September 2010. Please refer to the Company's circular dated 20 August 2010 for more details.

- (e) On 8 July 2010, China Star Entertainment proposed to raise HK\$144,460,000 to HK\$192,540,000 before expenses by way of a rights issue of not less than 1,444,643,184 new shares and not more than 1,925,410,126 new shares (the "Rights Shares") at a subscription price of HK\$0.10 per Rights Share on the basis of one Rights Share for every two existing shares held on 20 July 2010.

The Group did not take up any of its entitlement under the rights issue and sold the nil-paid Rights Shares in the market for cash.

As China Star Entertainment allotted and issued 1,444,643,184 Rights Shares pursuant to the rights issue on 11 August 2010, the Group's shareholding interest in China Star Entertainment was diluted from 23.54% to 15.69% and ceased to have significant influence over China Star Entertainment. Accordingly, the Group discontinued to account for China Star Entertainment under equity method of accounting and has accounted for its interest in China Star Entertainment as a financial asset in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement".

- (f) On 24 August 2010, the Company announced that the joint venture agreement dated 24 June 2010 entered into between the Group and Yiu Hing in relation to the joint venture in organic agricultural business in Mainland China was ceased and determined as the joint venture company cannot obtain the land use right within 60 days from 24 June 2010, being the date of

the joint venture agreement. The capital contribution of HK\$30,000,000 made by the Group was returned to the Group and Yiu Hing paid a compensation of HK\$1,500,000 to the Group on that date.

CHANGE OF COMPANY'S NAME

Pursuant to a special resolution passed at the special general meeting of the Company held on 29 June 2010, the name of the Company was changed from "China Star Investment Holdings Limited" to "Eternity Investment Limited" and from "中國星投資有限公司" to "永恒策略投資有限公司" in Chinese for identification purposes only with effect from 29 June 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 October 2010 to 15 October 2010, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 12 October 2010.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied with all applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2010, except for:

- (a) code provision A.2.1 requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the resignation of Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany as executive directors of the Company on 1 February 2010, Mr. Lei Hong Wai has taken up the roles of the chairman and the chief executive officer of the Company. Mr. Lei possesses essential leadership skills and has extensive experience in corporate management and business development. The Board is of the view that currently vesting the roles of the chairman and the chief executive officer in the same person provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies; and

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the directors of the Company. All members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2010. The Model Code also applies to other specified senior management of the Group.

REVIEW OF FINANCIAL INFORMATION

The audit committee has reviewed the 2010 interim report and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 and agreed to the accounting principles and policies adopted by the Company. In addition, the Company's external auditors, Messrs. HLB Hodgson Impey Cheng, have reviewed the unaudited condensed consolidated interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

Hong Kong, 30 August 2010

As at the date of this announcement, the Board comprises two executive directors namely, Mr. Lei Hong Wai and Mr. Chan Kin Wah, Billy and three independent non-executive directors namely, Mr. Tang Chak Lam, Gilbert, Mr. Hung Hing Man and Mr. Wan Shing Chi.