ETERNITY INVESTMENT LIMITED

(Formerly known as China Star Investment Holdings Limited)
(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

2010
Interim Report

Contents

Corporate Information

Board of Directors

Executive directors

Mr. Lei Hong Wai *(Chairman)*
Mr. Chan Kin Wah, Billy
(Deputy Chairman)

Independent non-executive directors

Mr. Tang Chak Lam, Gilbert
Mr. Hung Hing Man
Mr. Wan Shing Chi

Company Secretary

Mr. Chan Kin Wah, Billy

Audit Committee

Mr. Tang Chak Lam, Gilbert
Mr. Hung Hing Man
Mr. Wan Shing Chi

Remuneration Committee

Mr. Lei Hong Wai
Mr. Tang Chak Lam, Gilbert
Mr. Wan Shing Chi

Nomination Committee

Mr. Lei Hong Wai
Mr. Tang Chak Lam, Gilbert
Mr. Wan Shing Chi

Finance Committee

Mr. Chan Kin Wah, Billy
Mr. Hung Hing Man

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

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

Principal Share Registrar and Transfer Office

HSBC Bank Bermuda Limited

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited

Auditors

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Principal Banker

Hang Seng Bank Limited

Stock Code

764

Website

www.eternityinv.com.hk

E-mail Address

enquiry@eternityinv.com.hk

Interim Results

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

Condensed Consolidated Income Statement

	Notes	Six months ended 30 June **2010** ***HK$'000*** **(Unaudited)**	 2009 *HK$'000* (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	*11*	**(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
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	*19*	**–**	(48,868)
Loss on deemed disposal of an associate	*12*	**(106,133)**	(4,931)
Share of results of associates	*12*	**(14,404)**	14,556
Profit/(loss) from operations	*5*	**36,738**	(146,834)
Finance costs	*6*	**(2,656)**	(5,221)

Condensed Consolidated Income Statement *(Continued)*

	Notes	Six months ended 30 June 2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
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	20	**–**	(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	8	**35,198**	–
Earnings/(loss) per share	9		
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)

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

Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended 30 June 2010 *HK$'000* (Unaudited)	 2009 *HK$'000* (Unaudited)
Profit/(loss) for the period		**35,024**	(143,290)
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	*12*	**(83)**	105
		(83)	529
Total comprehensive income/(loss) for the period		**34,941**	(142,761)
Attributable to:			
Owners of the Company		**34,941**	(142,761)

Condensed Consolidated Statement of Financial Position

	Notes	**At 30 June 2010 HK$'000 (Unaudited)**	At 31 December 2009 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	**1,653**	1,838
Intangible assets	11	**334,681**	339,537
Interests in associates	12	**495,975**	641,908
Promissory note receivable		**—**	31,853
Convertible note receivable		**—**	3,670
Available-for-sale financial assets	13	**17,432**	172
		849,741	1,018,978
Current assets			
Trade receivables	14	**5,108**	6,022
Deposits, prepayments and other receivables		**31,181**	1,015
Loan to an associate	15	**—**	155,536
Financial assets at fair value through profit or loss	16	**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	17	**2,296**	1,881
Reserves		**1,431,021**	1,369,163
Total equity		**1,433,317**	1,371,044

Condensed Consolidated Statement of Financial Position *(Continued)*

	Notes	At 30 June 2010 HK$'000 (Unaudited)	At 31 December 2009 HK$'000 (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
		14,257	11,408
Non-current liabilities			
Convertible note payable	*18*	**55,419**	54,563
Deferred taxation		**42,814**	43,757
		98,233	98,320
Total liabilities		**112,490**	109,728
Total equity and liabilities		**1,545,807**	1,480,772
Net current assets		**681,809**	450,386
Total assets less current liabilities		**1,531,550**	1,469,364

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributable to owners of the Company									
	Share capital *HK$'000* (Unaudited)	Share premium *HK$'000* (Unaudited)	Capital reserve *HK$'000* (Unaudited)	Contributed surplus *HK$'000* (Unaudited)	Special reserve *HK$'000* (Unaudited)	Share-based payment reserve *HK$'000* (Unaudited)	Convertible notes reserve *HK$'000* (Unaudited)	Exchange reserve *HK$'000* (Unaudited)	Retained profits *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
At 1 January 2009	1,952	–	19,844	568,022	(19,955)	32,050	34,692	71,284	186,534	894,423
Issue of new shares	9,061	78,066	–	–	–	–	–	–	–	87,127
Capital reorganisation										
– capital reduction	(9,912)	–	–	–	–	–	–	–	–	(9,912)
– set off accumulated losses against contributed surplus	–	–	–	9,912	–	–	–	–	–	9,912
Release on disposal of subsidiaries	–	–	–	–	19,955	–	–	(71,703)	(19,955)	(71,703)
Share of reserve of associates	–	–	–	–	–	–	14,493	–	–	14,493
Total comprehensive loss for the period	–	–	–	–	–	–	–	529	(143,290)	(142,761)
At 30 June 2009	1,101	78,066	19,844	577,934	–	32,050	49,185	110	23,289	781,579
At 1 January 2010	1,881	114,380	19,844	568,022	–	35,779	17,346	(35)	613,827	1,371,044
Issue of new shares	264	13,729	–	–	–	–	–	–	–	13,993
Release on loss of significant influence over an associate	–	–	–	–	–	–	–	35	–	35
Share of reserve of associates	–	–	–	–	–	1,610	–	–	–	1,610
Share-based payment expenses	–	–	–	–	–	2,310	–	–	–	2,310
Exercise of share options	151	11,792	–	–	–	(2,559)	–	–	–	9,384
Total comprehensive income for the period	–	–	–	–	–	–	–	(83)	35,024	34,941
At 30 June 2010	**2,296**	**139,901**	**19,844**	**568,022**	**–**	**37,140**	**17,346**	**(83)**	**648,851**	**1,433,317**

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**5,356**	366,729
Net cash generated from/(used in) investing activities	**335,847**	(477,173)
Net cash generated from financing activities	**27,341**	62,819
Net increase/(decrease) in cash and cash equivalents	**368,544**	(47,625)
Effect on foreign exchange rate	**(64)**	424
Cash and cash equivalents at beginning of period	**275,802**	89,370
Cash and cash equivalents at end of period	**644,282**	42,169
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents at end of period	**644,282**	42,169

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
HKFRSs (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

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

Standards, amendments or interpretations issued and effective *(Continued)*

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.

3. Operating Segments *(Continued)*

(a) Segment results, 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.

3. Operating Segments *(Continued)*

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

Six months ended 30 June 2010

	Distribution HK$'000 (Unaudited)	Sub-licensing HK$'000 (Unaudited)	Sales of financial assets HK$'000 (Unaudited)	Provision of management services HK$'000 (Unaudited)	Unallocated HK$'000 (Unaudited)	Consolidated HK$'000 (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

3. Operating Segments *(Continued)*

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

Six months ended 30 June 2009

	Distribution HK$'000 (Unaudited)	Sub-licensing HK$'000 (Unaudited)	Sales of financial assets HK$'000 (Unaudited)	Provision of management services HK$'000 (Unaudited)	Unallocated HK$'000 (Unaudited)	Consolidated HK$'000 (Unaudited)
Continuing operations						
Revenue						
Revenue from external customers	–	–	–	28,346	–	28,346
Results						
Segment results for reportable segments	–	–	–	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)
						(143,290)
Segment assets	–	16	46,672	343,609	634,681	1,024,978
Segment liabilities	–	–	617	35,000	163,271	198,888

3. Operating Segments *(Continued)*

(b) Geographical segments — Turnover

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

4. Other Revenue and Other Income

	Continuing operations Six months ended 30 June		Discontinued operations Six months ended 30 June		Consolidated Six months ended 30 June	
	2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)	**2010 HK$'000 (Unaudited)**	2009 HK$'000 (Unaudited)	**2010 HK$'000 (Unaudited)**	2009 HK$'000 (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
	2,784	1,726	**–**	512	**2,784**	2,238
Other income						
Imputed interest income on:						
– convertible note receivable	**527**	273	**–**	–	**527**	273
– promissory note receivable	**3,520**	1,135	**–**	–	**3,520**	1,135
	4,047	1,408	**–**	–	**4,047**	1,408
	6,831	3,134	**–**	512	**6,831**	3,646

5. Profit/(Loss) from Operations

	Continuing operations Six months ended 30 June		Discontinued operations Six months ended 30 June		Consolidated 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)
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**	–

6. Finance Costs

	Continuing operations Six months ended 30 June		Discontinued operations Six months ended 30 June		Consolidated 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)
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
	2,656	5,221	**–**	5,678	**2,656**	10,899

7. Income Tax Credit/(Expense)

	Continuing operations Six months ended 30 June		Discontinued operations Six months ended 30 June		Consolidated 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
	942	14,341	**–**	(601)	**942**	13,740

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 losses 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. 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.

9. 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)
From continuing and discontinued operations	**35,024**	(143,290)

	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	**268**	—
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**204,423**	72,720

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.

10. Property, Plant and Equipment

	HK$'000 **(Unaudited)**
Cost:	
At 1 January 2010	**6,149**
Additions	**26**
At 30 June 2010	**6,175**
Accumulated depreciation:	
At 1 January 2010	**4,311**
Charge for the period	**211**
At 30 June 2010	**4,522**
Net book value:	
At 30 June 2010	**1,653**

11. Intangible Assets

	HK$'000 **(Unaudited)**
Cost:	
At 1 January 2010 and 30 June 2010	**456,857**
Accumulated impairment:	
At 1 January 2010	**117,320**
Impairment loss recognised	**4,856**
At 30 June 2010	**122,176**
Carrying amounts:	
At 30 June 2010	**334,681**

The intangible assets represent the carrying amounts of services agreements held by Rich Daily Group Limited ("Rich Daily"). The intangible assets have indefinite useful lives and no amortisation has been made.

11. Intangible Assets *(Continued)*

For the six months ended 30 June 2010, the directors of the Company reassessed the recoverable amounts of the services agreements with reference to the valuation performed by Grant Sherman Appraisal Limited, an independent firm of professional valuers, and determined that an impairment loss of approximately HK$4,856,000 should be recognised (2009: HK$117,320,000).

The recoverable amounts of the services agreements were assessed by reference to value-in-use calculation. A discount rate of 19.75% per annum (for the year ended 2009: 19.12% per annum) was applied in the value-in-use model which uses cash flow projections based on financial forecasts approved by the directors of the Company covering a five-year period. There are a number of assumptions and estimates involved for the preparation of the cash flow projections for the period covered by the forecast. Key assumptions include gross margin and growth rate which are determined by the management of the Group based on its expectation for market development. The discount rate used is pre-tax and reflects specific risks relating to the industry.

12. Interests in Associates

	HK$'000 **(Unaudited)**
At 1 January 2010	**641,908**
Loss on deemed disposal of an associate *(Note i and iii)*	**(106,133)**
Share of exchange reserve of associate	**(83)**
Reclassification to financial assets at fair value through profit or loss *(Note ii)*	**(26,958)**
Release of foreign exchange reserve	**35**
Share of share options reserve of an associate	**1,610**
Share of post-acquisition results	**(14,404)**
At 30 June 2010	**495,975**
Market value of listed shares:	
At 30 June 2010	**81,600**

12. Interests in Associates *(Continued)*

Notes:

(i) On 13 January 2010, China Star Entertainment Limited ("CSEL") issued 52,790,000 new shares upon exercise of share options which caused a dilution on the Group's interest in CSEL from 29.61% to 28.94%. As a result, the Group recorded a loss on deemed disposal of an associate of approximately HK$10,790,000. The directors of the Company consider that the Group has retained significant influence over CSEL.

(ii) On 21 January 2010, Mr. Heung Wah Keung, a then director of the Company, resigned as an executive director of China Star Film Group Limited ("CSFGL"). As a result, CSFGL operates without regard to the views of the Group. Accordingly, the directors of the Company have considered that the Group had lost its significant influence over CSFGL since then and have reclassified the Group's interests in CSFGL as a financial assets at fair value through profit or loss since the date of loss of significant influence. The Group's share of loss of associate of approximately HK$543,000 (2009: Nil) is included in the condensed consolidated income statement until that date.

(iii) On 11 February 2010, CSEL issued 540,000,000 new shares pursuant to a private placement which caused a dilution on the Group's interest in CSEL from 28.94% to 23.54%. As a result, the Group recorded a loss on deemed disposal of an associate of approximately HK$95,343,000. The directors of the Company consider that the Group has retained significant influence over CSEL.

13. Available-for-sale Financial Assets

	At 30 June 2010 HK$'000 (Unaudited)	At 31 December 2009 HK$'000 (Audited)
Unlisted equity securities *(Note)*	**17,260**	—
Club debenture	**172**	172
	17,432	172

Note:

Pursuant to the conditional sale and purchase agreement entered into between Riche (BVI) Limited ("Riche"), a wholly-owned subsidiary of the Company and Mr. Man Kong Yiu (the "Vendor") on 31 March 2010, the Group acquired 6,750,000 ordinary shares (the "Sales Shares") in Hantec Holdings Investment Limited at a consideration of HK$18,000,000, which was satisfied by issuing 26,420,000 ordinary shares of the Company credited as fully paid to the Vendor. The conditional sale and purchase agreement was completed on 16 April 2010.

Pursuant to the conditional sale and purchase agreement, the Vendor has irrevocably warranted and guaranteed to the Group that the dividend payouts to the Group in respect of the Sales Shares for (i) the period commencing from the date of completion of the acquisition to 30 June 2010 (the "1st Relevant Period") shall be no less than the amount equivalent to HK$1,800,000 per annum in proportion to the number of days during the 1st Relevant Period (calculated based on 365 days per annum); (ii) for the year ending 30 June 2011 shall be no less than HK$1,800,000 (the "2nd Relevant Period"); and (iii) for the year ending 30 June 2012 shall be no less than HK$1,800,000 (the "3rd Relevant Period"). If the dividend payouts to the Group in respect of the Sales Shares for any of the 1st Relevant Period, the 2nd Relevant Period and/or the 3rd Relevant Period are less than the amounts as stated above, the Vendor shall pay to the Group the shortfall on dollar-to-dollar basis in cash.

14. Trade Receivables

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

	At 30 June 2010 ***HK$'000*** **(Unaudited)**	At 31 December 2009 *HK$'000* (Audited)
0 — 30 days	**5,108**	6,022
31 — 60 days	**—**	—
61 — 90 days	**—**	—
Over 90 days	**—**	—
	5,108	6,022

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

15. Loan to an Associate

	At 30 June 2010 ***HK$'000*** **(Unaudited)**	At 31 December 2009 *HK$'000* (Audited)
上海昇平文化發展有限公司 ("Shanghai Shengping")	**—**	155,536

Pursuant to the conditional sale and purchase agreement dated 26 November 2008 relating to the disposal of the Group's interests in the entire 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 loan made to Shanghai Shengping by the Group was not settled immediately on 8 April 2009, being the date of completion of the disposal, 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 period, Shanghai Shengping fully repaid the loan.

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

16. Financial Assets at Fair Value through Profit or Loss

	At 30 June 2010 ***HK$'000*** **(Unaudited)**	At 31 December 2009 *HK$'000* (Audited)
Investments held-for-trading:		
Listed equity securities		
— Hong Kong, at fair value	**7,400**	—
Listed derivatives		
— Hong Kong, at fair value *(Note)*	**2,992**	—
	10,392	—

Note:

During the period, 136,000,000 warrants were issued to the Group pursuant to the bonus issue of warrants by CSEL to its shareholders on the basis of one warrant for every five existing shares held on 8 June 2010.

17. Share Capital

	Number of ordinary shares *'000*	**Share capital** *HK$'000*
Ordinary shares of HK$0.01 each (2009: HK$0.01 each)		
Authorised:		
At 1 January 2010 and 30 June 2010	2,000,000	20,000
Issued and fully paid:		
At 1 January 2010	188,128	1,881
Issue of new shares *(Note i)*	26,420	264
Exercise of share options *(Note ii, iii, iv, v and vi)*	15,060	151
At 30 June 2010	**229,608**	**2,296**

17. Share Capital *(Continued)*

Notes:

(i) On 16 April 2010, the Company allotted and issued 26,420,000 new ordinary shares of HK$0.01 each credited as fully paid to the Vendor for settling the consideration of HK$18,000,000 for acquiring the Sale Shares.

(ii) On 29 April 2010, the Company allotted and issued 5,680,000 new ordinary shares of HK$0.01 each pursuant to the exercise of share options granted to the directors and the employees and consultants of the Group. The exercise price was HK$0.64 per share.

(iii) On 29 April 2010, the Company allotted and issued 5,830,000 new ordinary shares of HK$0.01 each pursuant to the exercise of share options granted to the directors and the employees and consultants of the Group. The exercise price was HK$0.60 per share.

(iv) On 5 May 2010, the Company allotted and issued 1,600,000 new ordinary shares of HK$0.01 each pursuant to the exercise of share options granted to the employees of the Group. The exercise price was HK$0.64 per share.

(v) On 5 May 2010, the Company allotted and issued 990,000 new ordinary shares of HK$0.01 each pursuant to the exercise of share options granted to the consultants of the Group. The exercise price was HK$0.60 per share.

(vi) On 10 June 2010, the Company allotted and issued 960,000 new ordinary shares of HK$0.01 each pursuant to the exercise of share options granted to an employee of the Group. The exercise price was HK$0.66 per share.

18. Convertible Note Payable

	HK$'000 **(Unaudited)**
At 1 January 2010	**54,563**
Imputed interest expense for the period	**2,656**
Interest paid	**(1,800)**
At 30 June 2010	**55,419**

The convertible note is unsecured, interest bearing at 5% per annum and maturing on 28 August 2018. Subsequent to 30 June 2010, the Group has redeemed the convertible note payable (Note 23 (c)).

19. Disposal of Subsidiaries

On 8 April 2009, the Company disposed of 100% interests in Shinhan-Golden and World East to CSFGL at an aggregate consideration of HK$120,564,000 (at fair value) which was satisfied by cash of HK$6,847,000, the convertible note receivable with a fair value of HK$85,647,000, the promissory note receivable with a fair value of HK$25,952,000 and 11,769,194 new ordinary shares in CSFGL with a fair value of HK$2,118,000.

The net assets of Shinhan-Golden and World East at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	20,130
Investment properties	920,564
Inventories	28,969
Trade receivables	184
Deposits, prepayments and other receivables	6,660
Cash and cash equivalents	51,434
Amount due to ultimate holding company	(375,536)
Accruals and other payables	(13,469)
Receipts in advance	(39,644)
Secured bank loans	(302,794)
Deferred taxation	(55,363)
Translation reserve	(71,703)
Net assets disposed of	169,432
Loss on disposal	(48,868)
Total consideration	120,564
Satisfied by:	
Cash	6,847
Fair value of shares in CSFGL	2,118
Fair value of promissory note receivable	25,952
Fair value of convertible note receivable	85,647
	120,564
Net cash outflow arising from the disposal:	
Cash consideration received	6,847
Less: Cash and bank balances disposed	(51,434)
	(44,587)

During the six months ended 30 June 2009, the above subsidiaries were engaged in investment holding and had contributed turnover of HK$3,102,000 and loss of HK$5,576,000 to the Group.

20. 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)
Gain arising on fair value change in investment properties	–	2,002
Profit from discontinued operations	–	703
Finance costs	–	(5,678)
Loss before taxation from discontinued operations	–	(4,975)
Taxation	–	(601)
Loss for the period from discontinued operations	–	(5,576)

21. Lease Commitments

As lessee

At 30 June 2010, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 30 June 2010	At 31 December 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**2,674**	1,836
In the second to fifth year inclusive	**11,992**	1,703
	14,666	3,539

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

22. Material Related Party Transactions

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

(a) During the period, the Group had the following material transactions with related parties which are carried out on normal commercial terms and in the ordinary course of the Group's business:

Name of company	Nature of transactions	Six months ended 30 June **2010** ***HK$'000*** **(Unaudited)**	2009 *HK$'000* (Unaudited)
	Paid or payable to:		
CSEL	— salaries	**–**	500
	— loan advanced by the Group	**–**	200,000
Shanghai Shengping	— loan advanced by the Group	**–**	375,563
	Received or receivable from:		
CSEL	— interest income on loan advanced	**–**	1,726
Shanghai Shengping	— loan repaid to the Group	**155,536**	120,000
CSFGL	— dividend income	**2,542**	–
	— convertible note repaid to the Group	**100,000**	–
	— promissory note repaid to the Group	**100,000**	–

22. Material Related Party Transactions *(Continued)*

(b) Compensation for key management personnel

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and allowances	**230**	1,892
Contribution to retirement benefits scheme	**3**	12
Share-based payment expenses	**168**	—

23. Events after the Reporting Period

Subsequent to 30 June 2010 and up to the date of the Interim Financial Statements, the Company had entered into the following transactions:

(a) On 21 July 2010, Riche, 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 set up a joint venture company, namely Victory Peace Holdings Limited ("Victory Peace"), to engage in the business of conducting, development and investing into real estate and related projects in Vietnam. Victory Peace will be held as to 90.1% by Riche and 9.9% by Campbell. Pursuant to the joint venture agreement, the financing requirement of Victory Peace shall be solely borne by Riche.

On 21 July 2010, the Company and Victory Peace 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 Victory Peace to proceed with its business of conducting, development and investing into real estate and related projects in Vietnam.

The formation of Victory Peace and the granting of facility to Victory Peace are subject to shareholders' approval at the special general meeting of the Company to be held on 3 September 2010. Details of these are set out in the Company's circular dated 16 August 2010.

(b) On 23 July 2010, the Company allotted and issued 45,920,000 new ordinary shares of HK$0.01 each at a price of HK$0.55 per share by way of placing of new shares under general mandate. Net proceeds of approximately HK$24,900,000 was raised and intended to be used for general working capital of the Group.

23. Events after the Reporting Period *(Continued)*

(c) On 26 July 2010, the Company redeemed the convertible note of HK$72,000,000 payable to Well Will Investment Limited before the maturity date.

(d) On 28 July 2010, the Company proposed to raise approximately HK$330,630,000 to HK$351,980,000, before expenses, by issuing not less than 826,584,147 new ordinary shares and not more than 879,960,951 new ordinary shares of HK$0.01 each to qualifying shareholders by way of rights issue at a subscription price of HK$0.40 per share on the basis of three new ordinary shares for every one existing ordinary share held on 3 September 2010.

On 28 July 2010, 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. Details of these are set out in the Company's circular dated 20 August 2010.

(e) On 11 August 2010, CSEL allotted and issued 1,444,643,184 new shares pursuant to the rights issue proposed on 8 July 2010. The Group's shareholding interest in CSEL was diluted from 23.54% to 15.69% and ceased to have significant influence over CSEL. Accordingly, the Group discontinued to account for CSEL under equity method of accounting and has accounted for its interest in CSEL 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 between the Group and Yiu Hing International Limited ("Yiu Hing") in relation to the joint venture in organic agricultural business in the 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.

24. Approval of Interim Financial Statements

The Interim Financial Statements were approved and authorised for issue by the Board on 30 August 2010.

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

INDEPENDENT REVIEW REPORT
TO THE BOARD OF DIRECTORS OF
ETERNITY INVESTMENT LIMITED
(Formerly known as China Star Investment Holdings Limited)
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 3 to 30, which comprise the condensed consolidated statement of financial position of Eternity Investment Limited and its subsidiaries as of 30 June 2010 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this financial information based on our review and to report our conclusion solely to you, as a body in accordance with our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 30 August 2010

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.

Financial Review *(Continued)*

Review of continuing operations *(Continued)*

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 HK5,892,000 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.

Financial Review *(Continued)*

Review of continuing operations *(Continued)*

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%).

Financial Review *(Continued)*

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.

Financial Review *(Continued)*

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.

Financial Review *(Continued)*

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.

Financial Review *(Continued)*

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.

Operations Review *(Continued)*

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 2012. 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.

Future Prospects *(Continued)*

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 report, 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.

Events after the Reporting Period *(Continued)*

(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.

Events after the Reporting Period *(Continued)*

(d) *(Continued)*

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.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

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.

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.

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.

Directors' Interests in Shares and Underlying Shares

At 30 June 2010, the interests of the directors and chief executive of the Company and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

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

Long positions

a. Ordinary shares of HK$0.01 each of the Company

Directors	Capacity	Interests in shares	Interests in underlying shares	Total interests in shares	Percentage of the issued share capital of the Company
Mr. Lei Hong Wai	Beneficial owner	1,320,000	1,035,559	2,355,559	1.03%
Mr. Chan Kin Wah, Billy	Beneficial owner	1,320,000	1,035,559	2,355,559	1.03%

b. Ordinary shares of HK$0.01 each of China Star Entertainment Limited ("CSEL")

Directors	Capacity	Interests in shares	Interests in underlying shares	Total interests in shares	Percentage of the issued share capital of CSEL
Mr. Lei Hong Wai	Beneficial owner	13,300,000	10,135,336	23,435,336	0.81%
Mr. Chan Kin Wah, Billy	Beneficial owner	–	20,685,981	20,685,981	0.72%

Other than the holdings disclosed above, none of the directors, chief executive and their associates had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 30 June 2010.

Share Option Scheme

The Company adopted its share option scheme on 21 January 2002. The principal terms of the share option scheme were disclosed in the Company's 2009 annual report. Details of movements in the Company's share options during the six months ended 30 June 2010 are set out as follows:

		Number of share options				
	Type of share options	Outstanding at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2010
Directors and chief executive						
Mr. Lei Hong Wai	2002A	45,546	–	–	–	45,546
	2007B	30,013	–	–	–	30,013
	2008A	34,135	–	–	(34,135)	–
	2009A	1,100,000	–	(1,100,000)	–	–
	2009B	220,000	–	(220,000)	–	–
	2010A	–	960,000	–	–	960,000
		1,429,694	960,000	(1,320,000)	(34,135)	1,035,559
Mr. Chan Kin Wah, Billy	2004A	45,546	–	–	–	45,546
	2007B	30,013	–	–	–	30,013
	2008A	50,142	–	–	(50,142)	–
	2009A	1,100,000	–	(1,100,000)	–	–
	2009B	220,000	–	(220,000)	–	–
	2010A	–	960,000	–	–	960,000
		1,445,701	960,000	(1,320,000)	(50,142)	1,035,559
Total directors and chief executive		2,875,395	1,920,000	(2,640,000)	(84,277)	2,071,118

Share Option Scheme *(Continued)*

	Type of share options	Outstanding at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2010
		Number of share options				
Employees and consultants						
	2002A	136,639	–	–	–	136,639
	2004A	218,814	–	–	–	218,814
	2007A	144,980	–	–	–	144,980
	2007B	698,717	–	–	–	698,717
	2008A	1,144,512	–	–	(1,144,512)	–
	2009A	8,800,000	–	(5,080,000)	–	3,720,000
	2009B	10,570,000	–	(6,380,000)	–	4,190,000
	2010A	–	11,292,000	(960,000)	–	10,332,000
Total employees and consultants		21,713,662	11,292,000	(12,420,000)	(1,144,512)	19,441,150
Total		24,589,057	13,212,000	(15,060,000)	(1,228,789)	21,512,268
Exercisable at the end of the period						21,512,268

Details of specific categories of share options are as follows:

	Date of grant	Exercise period	Exercise price
2002A	8 March 2002	8 March 2002 to 7 March 2012	HK$271.19
2004A	13 December 2004	13 December 2004 to 12 December 2014	HK$202.33
2007A	22 March 2007	22 March 2007 to 21 March 2017	HK$49.05
2007B	31 May 2007	31 May 2007 to 30 May 2017	HK$73.01
2008A	20 March 2008	20 March 2008 to 19 March 2010	HK$11.88
2009A	28 July 2009	28 July 2009 to 27 July 2010	HK$0.64
2009B	30 October 2009	30 October 2009 to 29 October 2010	HK$0.60
2010A	13 May 2010	13 May 2010 to 12 May 2011	HK$0.66

Share Option Scheme *(Continued)*

The closing price of the Company's shares on the date of grant of the 2010A share options was HK$0.66.

The fair value of the share options granted in the six months ended 30 June 2010 was HK$2,310,000 which had been expensed as share-based payment expenses during the period.

The fair value of the share options granted on 13 May 2010 were measured by Grant Sherman Appraisals Limited, an independent firm of professional valuers, at the date of grant. The following significant inputs were used to derive the fair value, using binomial option pricing model:

(i) expected volatility of 92.50%;

(ii) dividend yield of 0.00%;

(iii) expected lives of share option is 1 year; and

(iv) risk-free interest rate of 0.215%.

Substantial Shareholders

At 30 June 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions — ordinary shares of HK$0.01 each of the Company

Name	*Notes*	Capacity	Interest in shares	Interest in underlying shares	Total interest	Percentage of the issued share capital of the Company
Thought Diamond International Limited	*1*	Beneficial owner	56,000,000	–	56,000,000	24.49%
Mr. Cheung Kwok Fan	*1*	Held by controlled corporation	56,000,000	–	56,000,000	24.49%
Mr. Man Kong Yui		Beneficial owner	26,420,000	–	26,420,000	11.55%
Mr. Gu San Guan		Beneficial owner	26,480,000	–	26,480,000	11.50%
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%
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%

Substantial Shareholders *(Continued)*

Long positions — ordinary shares of HK$0.01 each of the Company *(Continued)*

Notes:

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

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

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

Compliance with the Code on Corporate Governance Practices *(Continued)*

(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.

Acknowledgement

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

By order of the Board
Lei Hong Wai
Chairman

Hong Kong, 30 August 2010