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ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

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 2011 together with the comparative figures for 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2011	2010
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	3	45,074	32,784
Cost of sales		—	(363)
Gross profit		45,074	32,421
Other revenue and other income	4	3,328	6,831
Administrative expenses		(11,304)	(5,673)
Loss arising on change in fair value of financial assets at fair value through profit or loss		(15,454)	(15,136)

	<i>Notes</i>	Six months ended 30 June	
		2011	2010
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Gain arising on change in fair value of conversion options embedded in convertible note receivable		—	1,525
Gain on early repayment of promissory note receivable		—	64,627
Gain on early repayment of convertible notes receivable		—	75,962
Gain on change in fair value of derivative financial instrument		—	1,574
Loss on deemed disposal of an associate		—	(106,133)
Reversal of impairment loss/(impairment loss recognised) in respect of intangible assets		47,691	(4,856)
Share of results of associates		—	(14,404)
		<u> </u>	<u> </u>
Profit from operations	5	69,335	36,738
Finance costs	6	—	(2,656)
		<u> </u>	<u> </u>
Profit before taxation		69,335	34,082
Income tax (expense)/credit	7	(5,723)	942
		<u> </u>	<u> </u>
Profit for the period		<u>63,612</u>	<u>35,024</u>
Profit attributable to owners of the Company		<u>63,612</u>	<u>35,024</u>
Interim dividend	8	—	35,198
		<u> </u>	<u> </u>
Earnings per share	9		
— Basic (2010: restated)		<u>HK5.69 cents</u>	<u>HK15.48 cents</u>
— Diluted (2010: restated)		<u>HK5.69 cents</u>	<u>HK15.46 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	63,612	35,024
Other comprehensive income for the period (after tax):		
Loss arising on change in fair value of available-for-sale financial assets	(38,616)	—
Share of exchange reserve change of associates	—	(83)
	<hr/>	<hr/>
Total comprehensive income for the period	24,996	34,941
	<hr/> <hr/>	<hr/> <hr/>
Profit attributable to owners of the Company	24,996	34,941
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2011 <i>HK\$'000</i> (Unaudited)	At 31 December 2010 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		743	1,441
Intangible assets		382,372	334,681
Available-for-sale financial assets		65,296	53,892
		448,411	390,014
Current assets			
Trade receivables	10	7,568	5,859
Deposits, prepayments and other receivables		89,712	2,456
Financial assets at fair value through profit or loss		65,948	9,418
Tax recoverable		32	32
Cash and cash equivalents		848,299	989,625
		1,011,559	1,007,390
Total assets		1,459,970	1,397,404
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		13,224	11,021
Reserves		1,385,813	1,333,642
Total equity		1,399,037	1,344,663
LIABILITIES			
Current liabilities			
Accruals and other payables		13,341	10,872
Trade deposits received		477	477
Tax payable		1,230	1,230
		15,048	12,579
Non-current liabilities			
Deferred taxation		45,885	40,162
Total liabilities		60,933	52,741
Total equity and liabilities		1,459,970	1,397,404
Net current assets		996,511	994,811
Total assets less current liabilities		1,444,922	1,384,825

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 2010.

The Interim Financial Statements have been prepared on the historical cost basis, except for intangible assets and financial instruments classified as available-for-sale financial assets and financial assets at fair value through profit or loss, 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 2010.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the “new and revised HKFRSs”), which are effective for the Group’s accounting period beginning 1 January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised HKFRSs has no material effect on the Interim Financial Statements for the current or prior accounting period.

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

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (Revised 2011)	Employee Benefits ⁴
HKAS 27 (Revised 2011)	Separate Financial Statements ⁴
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ⁴
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴

HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴

- ¹ Effective for annual periods beginning on or after 1 July 2011
- ² Effective for annual periods beginning on or after 1 January 2012
- ³ Effective for annual periods beginning on or after 1 July 2012
- ⁴ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 “Financial Instruments” addresses the classification, measurement and derecognition of financial assets and liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the Group’s accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held of trading. Fair value gains and losses on available-for-sale investments, for example, will therefore have to be recognized directly in profit or loss instead of other comprehensive income.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 “Financial Instruments: Recognition and Measurement” and have not been changed. The Group has not yet decided when to adopt HKFRS 9.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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 departments 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 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. Segment liabilities include deferred taxation, tax payable, trade deposits received, accruals and other payables attributable to the 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 2011

	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)
Revenue						
Revenue from external customers	<u>—</u>	<u>—</u>	<u>—</u>	<u>45,074</u>	<u>—</u>	<u>45,074</u>
Results						
Segment results for reportable segments	<u>—</u>	<u>—</u>	<u>—</u>	<u>45,074</u>	<u>—</u>	<u>45,074</u>
Other revenue and other income						3,328
Administrative expenses						<u>(11,304)</u>
Profit before taxation						37,098
Income tax expense						<u>(5,723)</u>
Profit for the period attributable to owners of the Company (excluding major non- cash items)						31,375

	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)
Major non-cash items						
— Loss arising on change in fair value of financial assets at fair value through profit or loss						(15,454)
— Reversal of impairment loss in respect of intangible assets						47,691
						<u>63,612</u>
Segment assets	<u>403</u>	<u>—</u>	<u>90,658</u>	<u>390,342</u>	<u>978,567</u>	<u>1,459,970</u>
Segment liabilities	<u>477</u>	<u>—</u>	<u>3,226</u>	<u>46,119</u>	<u>11,111</u>	<u>60,933</u>

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)
Revenue						
Revenue from external customers	<u>—</u>	<u>—</u>	<u>(2,132)</u>	<u>34,916</u>	<u>—</u>	<u>32,784</u>
Results						
Segment results for reportable segments	<u>—</u>	<u>—</u>	<u>(2,132)</u>	<u>34,553</u>	<u>—</u>	<u>32,421</u>
Other revenue and other income						6,831
Administrative expenses						(5,673)
Finance costs						(2,656)
Share of results of associates						<u>(14,404)</u>
Profit before taxation						16,519
Income tax credit						<u>942</u>

	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)
Profit for the period attributable to owners of the Company (excluding major non-cash items)						17,461
Major non-cash items						
— Gain arising on change in fair value of conversion options embedded in convertible note receivable						1,525
— Gain on early repayment of promissory note receivable						64,627
— Gain on early repayment of convertible notes receivable						75,962
— Gain on change in fair value of derivative financial instrument						1,574
— Impairment loss recognised in respect of intangible assets						(4,856)
— Loss on deemed disposal of an associate						(106,133)
— Loss arising on change in fair value of financial assets at fair value through profit or loss						(15,136)
						<u>35,024</u>
Segment assets	<u>1,620</u>	<u>—</u>	<u>91,325</u>	<u>339,789</u>	<u>1,113,073</u>	<u>1,545,807</u>
Segment liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>31,434</u>	<u>81,056</u>	<u>112,490</u>

(b) Geographical segments — Turnover

	Six months ended 30 June	
	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Hong Kong	—	(2,132)
Macau	<u>45,074</u>	<u>34,916</u>
	<u>45,074</u>	<u>32,784</u>

4. Other revenue and other income

	Six months ended 30 June	
	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Other revenue		
Interest income on bank deposits	3,327	232
Dividend income	—	2,542
Sundry income	1	10
	<u>3,328</u>	<u>2,784</u>
Other income		
Imputed interest income on:		
— convertible notes receivable	—	527
— promissory note receivable	—	3,520
	<u>—</u>	<u>4,047</u>
	<u>3,328</u>	<u>6,831</u>

5. Profit from operations

Profit from operations has been arrived at after charging:

	Six months ended 30 June	
	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Depreciation of property, plant and equipment	113	211
Share-based payment expenses in respect of consultancy services	—	671
Staff costs including directors' emoluments:		
— salaries and other allowances	1,697	670
— contributions to retirement benefits scheme	36	18
— share-based payment expenses	—	1,639
	<u>1,697</u>	<u>1,639</u>

6. Finance costs

	Six months ended 30 June	
	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Imputed interest expense on convertible note payable	—	2,656
	<u>—</u>	<u>2,656</u>

7. Income tax (expense)/credit

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Deferred taxation (expense)/credit	<u>(5,723)</u>	<u>942</u>

No provision for Hong Kong Profits Tax or Macau Complementary Profits Tax has been made for the six months ended 30 June 2011 (2010: 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 expense of HK\$5,723,000 represented the reversal of impairment loss on intangible assets (2010: credit of HK\$801,000) and no deferred tax credit on imputed interest expense for convertible note payable (2010: credit of HK\$141,000).

8. Interim dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2011 (2010: HK\$0.03 per share).

9. Earnings per share

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	<u>63,612</u>	<u>35,024</u>
	Number of ordinary shares	
	'000	'000
		(Restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,118,021	226,234
Effect of dilutive potential ordinary shares:		
Share options	<u>—</u>	<u>297</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,118,021</u>	<u>226,531</u>

Diluted earnings per share for the six months ended 30 June 2011 was same as the basic earnings per share. The Company's outstanding share options were not included in the calculation of diluted earnings per share because the exercise of the Company's outstanding share options would result in an increase in earnings per share and was anti-dilutive.

The calculation of diluted earnings per share for the six months ended 30 June 2010 did not assume the conversion of the convertible note payable because the conversion would result in an increase in earnings per share and was anti-dilutive.

The calculation of earnings per share for the six months ended 30 June 2010 has adjusted for the rights issue as completed on 29 September 2010.

10. Trade receivables

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

	At 30 June 2011 <i>HK\$'000</i> (Unaudited)	At 31 December 2010 <i>HK\$'000</i> (Audited)
0 — 30 days	<u>7,568</u>	<u>5,859</u>

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 does not recommend the payment of interim dividend for the six months ended 30 June 2011 (2010: HK\$0.03 per share).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Results of operations

During the six months ended 30 June 2011, the Group recorded a revenue of HK\$45,074,000, a 37% increase from HK\$32,784,000 for the same period of the previous year. This increase was mainly attributable to the increase in services fee income generated from provision of management services business. Profit for the six months ended 30 June 2011 amounted to HK\$63,612,000, a 82% increase from HK\$35,024,000 for the correspondence period in 2010. This increase was mainly attributable to the recognition of a reversal of impairment loss on intangible assets of HK\$47,691,000.

No cost of sales was recorded for the six months ended 30 June 2011 as the Group has ceased to operate the concierge services centre at Shun Tak Centre in order to improve its cost structure.

Other revenue and other income decreased by 51% from HK\$6,831,000 in the six months ended 30 June 2010 to HK\$3,328,000 in the six months ended 30 June 2011. This was mainly attributable to no imputed interest income as China Star Film Group Limited (now known as KH Investment Holdings Limited) repaid the convertible notes receivable of HK\$100,000,000 and the promissory note receivable of HK\$100,000,000 in May 2010.

Administrative expenses (before depreciation) amounted to HK\$11,191,000 for the six months ended 30 June 2011, a 105% increase from HK\$5,462,000 for the same period of the previous year. This significant increase was mainly attributable to the increase in legal and professional fees resulted from increased corporate activities in acquisitions.

The directors reassessed the recoverable amounts of management services agreements held by the Group at 30 June 2011 with reference to the valuations performed by an independent firm of professional valuers and, in light of the consistent growth in services fee income and the constant strong growth in Macau VIP gaming revenue, recognised a reversal of impairment loss on intangible assets of HK\$47,691,000.

Due to a downturn in Hong Kong equities in the second quarter of 2011, the Group recognised a loss of HK\$15,454,000 arising on change in fair value of financial assets at fair value through profit or loss.

No finance costs were recorded in the six months ended 30 June 2011 as the Group redeemed the convertible note payable of HK\$72,000,000 in July 2010.

The Group recorded an income tax expense of HK\$5,723,000 which represents the deferred tax expense on reversal of impairment loss on intangible assets recognised in the six months ended 30 June 2011.

Liquidity and financial resources

During the six months ended 30 June 2011, the Group funded its operations through a combination of cash generated from operations, equity attributable to owners of the Company and issue of new shares. Equity attributable to owners of the Company increased from HK\$1,344,663,000 at 31 December 2010 to HK\$1,399,037,000 at 30 June 2011.

At 30 June 2011, the cash and cash equivalents of the Group amounted to HK\$848,299,000 (31 December 2010: HK\$989,625,000).

At 30 June 2011, the Group had no borrowings (31 December 2010: Nil).

Net current assets and current ratio

At 30 June 2011, the Group's net current assets and current ratio were HK\$996,511,000 (31 December 2010: HK\$994,811,000) and 67.22 (31 December 2010: 80.09), respectively.

Capital structure

On 17 June 2011, the Company issued 220,280,000 new shares at a price of HK\$0.135 per new share by way of a top-up placing under general mandate raising HK\$29,400,000 (net of expenses). The net proceeds from the top-up placing will be used in financing the proposed acquisition of the entire issued share capital of Adelio Holdings Limited as announced by the Company on 2 June 2011.

On 7 June 2011, the Company announced the issue of not less than 5,510,560,980 new shares and not more than 6,619,444,395 new shares by way of open offer to the qualifying shareholders of the Company on the basis of five new shares for every one existing share held on 25 July 2011 at a price of HK\$0.04 per new share. The open offer was expected to raise not less than HK\$216,330,000 but not more than HK\$260,680,000 (net of expenses) in additional capital for the Company. The net proceeds will be used in financing the proposed acquisition of the entire issued share capital of Adelio Holdings Limited as announced by the Company on 2 June 2011. The open offer was approved by the shareholders, other than Mr. Lei Hong Wai and Mr. Chan Kin Wah, Billy, both of them are directors, and their respective associates on the special general meeting of the Company held on 14 July 2011. The open offer was completed on 15 August 2011 raising HK\$260,390,000 (net of expenses).

Material acquisitions

On 29 March 2011, the Group signed an irrevocable undertaking to subscribe for 200,000,000 new shares in China Star at a subscription price of HK\$0.25 per new share to which the Group was entitled to under the rights issue as announced by China Star on the same date. The subscription price for the 200,000,000 new shares in China Star amounted to HK\$50,000,000. The reasons for the Group for giving the irrevocable undertaking are to maintain its substantial level of shareholding interest in China Star and facilitate the rights issue for raising additional capital to strengthen China Star's capital base. The subscription of 200,000,000 new shares in China Star was completed on 29 June 2011.

Material disposals

During the six months ended 30 June 2011, the Group had no material disposals.

Pledge of assets

At 30 June 2011, no assets of the Group were pledged.

Commitments

At 30 June 2011, the Group had the following material commitments:

- (a) a commitment of HK\$650,000,000 in respect of the proposed subscription of the convertible bonds to be issued by China Star in two tranches;
- (b) a commitment of HK\$240,550,000 in respect of the proposed acquisition of the entire issued share capital of Citadines Ashley TST (Hong Kong) Limited (“Citadines TST”) and Citadines Ashley TST Management (Hong Kong) Limited (“Citadines Management”); and
- (c) a commitment of HK\$222,600,000 in respect of the proposed acquisition of the entire issued share capital of Adelio Holdings Limited.

Exchange risk and hedging

During the six months ended 30 June 2011, a 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 2011, the Group had no material contingent liabilities.

Employees and remuneration policy

At 30 June 2011, the headcount of the Group was 10 (2010: 9). Staff costs (including directors’ remuneration) amounted to HK\$1,733,000 (2010: HK\$2,327,000). In addition to basic salaries, provident fund and discretionary bonus, staff benefits include medical scheme and share options.

Operations Review

During the six months ended 30 June 2011, 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.

Hong Kong equities fell during a volatile early June 2011 due to concerns over weakening global economic growth, intensified European sovereign debt crises as well as fears of a hard landing in China. Accordingly, the Group recorded an impairment loss of HK\$15,454,000 for its sale of financial assets business in the six months ended 30 June 2011.

During the six months ended 30 June 2011, the Group's provision of management services business generated services fee income amounted to HK\$45,074,000, a 29% increase as compared to the same period of the previous year. This increase was mainly due to a strong growth in Macau VIP gaming revenue in the first half of 2011. The directors believe that such strong growth was led by the increases in bet sizes and income of China citizens. Having performed a cost and benefit analysis, the Group has ceased to operate the concierge services centre at Shun Tak Centre in order to improve its cost structure.

On 21 January 2011, the Company entered into the conditional subscription agreement with China Star relating to the proposed subscription of the convertible bonds in the maximum principal amount of HK\$650,000,000 in two tranches at their face value. The convertible bonds are unsecured, interest bearing at 8% per annum and maturing on the fifth anniversary of the date of their issue. The convertible bonds carry rights entitling the holder thereof to convert their principal amount into shares in China Star at an adjusted conversion price of HK\$0.44 per share (subject to further adjustment). As China Star has diversified its businesses by expanding into property development business in Macau, the directors consider that the subscription of the convertible bonds would enable the Company to participate in the development of China Star and provide the Company with the flexibility to be benefited from the interest income of 8% per annum from the convertible bonds as well as the upside of the share price performance of China Star through conversion of part or whole of the convertible bonds into shares in China Star. The subscription of the convertible bonds of HK\$650,000,000 is financed by internal resources of the Group. The conditional subscription agreement was approved by the shareholders at the special general meeting of the Company held on 30 June 2011. The subscription of the first tranche of the convertible bonds of HK\$350,000,000 was completed on 7 July 2011.

With a view to improve profitability and diversify revenue sources, the Group re-enters into property investment business by entering into the following two transactions:

- (a) On 4 April 2011, the Group entered into the conditional sale and purchase agreement with Citadines Ashley TST (Singapore) Pte. Ltd., an independent third party, relating to the proposed acquisition of the entire issued share capital of Citadines TST and Citadines Management at a cash consideration of HK\$283,000,000.

The principal asset of Citadines TST is the whole block of "Citadines Ashley Hongkong" located at 18 Ashley Road, Tsimshatsui, Kowloon, Hong Kong (the "Ashley Property"). Citadines Management is a company providing management service to the Ashley Property. The Ashley Property comprises 20-storey, which was built in 1998 with a total gross floor area of 28,338 square feet. The ground floor to 3rd floor are designated for shops and retails purposes. The upper floors are used as serviced apartments with 36 units. The Group currently intends to hold the Ashley Property as a long-term investment for rental purpose. The consideration is financed by the net proceeds from the rights issue as announced by the Company on 28 July 2010.

- (b) On 25 May 2011, the Group entered into the conditional sale and purchase agreement with Vartan Holdings Limited, an independent third party, relating to the proposed acquisition of the entire issued share capital of Adelio Holdings Limited at a cash consideration of HK\$267,600,000.

The principal asset of Adelio Holdings Limited is its indirect wholly-owned subsidiary, namely Rexdale Investment Limited. Rexdale Investment Limited is a property investment company holding the 1st floor, the 6th to 12th floors and 11 car parking spaces of The Grande Building located at 398 Kwun Tong Road, Kowloon, Hong Kong (the “Kwun Tong Property”). The Grande Building is an industrial building comprises 13-storey, which was built in 1981. The Kwun Tong Property has a total gross floor area of 139,412 square feet. It is currently intended by the Group that it will hold the Kwun Tong Property as investment property for resale purpose. The consideration is financed by the net proceeds from the top-up placing under general mandate and the open offer as announced by the Company on 7 June 2011.

The two proposed acquisitions are subject to shareholders’ approval. As the Group is carrying out due diligence investigations in respect of the subjected companies and preparing the circulars in respect of the proposed acquisitions, the special general meetings of the Company for approving the proposed acquisitions are expected to be held in the second half of 2011.

Future Prospects

For the remainder of 2011, the directors believe that ongoing concerns over weakening global economic growth, intensified European sovereign debt crises, the US government debt and deficit issues and fears of a hard landing in China continue to weigh on global equities. Given the significance of the US sovereign downgrade, markets are likely to remain data sensitive and volatile. As such, the Group will adopt a more conservative investment attitude toward its sale of financial assets business.

Despite the fact that Macau gaming recorded a 49% growth in its VIP segment in the first half of 2011, the directors believe that a tighter China credit market and an uncertainty on the global economic environment may have slowed the VIP revenue growth in the second half. Accordingly, the directors expect that the overall performance of the Group’s provision of management services business will report a moderate growth in the second half of 2011.

With a view to improve profitability and diversify revenue sources, the directors have spent considerable effort in expanding into property investment business. During the first half of 2011, the Group entered into two conditional sale and purchase agreements with two independent third parties for acquiring the Ashley Property and the Kwun Tong Property. The proposed acquisitions enable the Group to enjoy a stable rental income flow in the short run and an opportunity for capital gain in the long run. The proposed acquisitions are subject to shareholders’ approval and expected to be completed in the second half of this year.

To broaden its business portfolio and revenue sources, the Group obtained the sole and exclusive right and master license relating to establish, operate, manage the franchise business of selling noodles, drinks and related Japanese food products from a Japanese Corporation on 6 July 2011. The sole and exclusive right and master license is for a period of ten years until 14 July 2021 covering the Greater China Region. The directors are formulating a business plan for the franchise business and announcements will be made as and when required pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In the second half of 2011, the Group will continue to cautiously monitor the business environment and continue to strengthen its business foundations by focusing on its existing business, implementing prudent cost control strategies and identifying potential investment opportunities to maximize the returns of the Company's shareholders.

Events after the Reporting Period

Subsequent to 30 June 2011, the Group had the following material events:

- (a) On 7 July 2011, Wingo Consultants Limited, a wholly-owned subsidiary of the Company, subscribed for the first tranche of the convertible bonds of HK\$350,000,000 issued by China Star pursuant to the conditional subscription agreement dated 21 January 2011 and entered into between the Company and China Star.
- (b) On 15 August 2011, the open offer of 6,611,960,980 new shares to the qualifying shareholders of the Company on the basis of five new shares for every one existing share held on 25 July 2011 at HK\$0.04 per new share was completed.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company had complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2011, except for:

- (a) code provision A.2.1 of the Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. 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 of the Code 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 that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2011.

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF FINANCIAL INFORMATION

The audit committee has reviewed the 2011 interim report and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 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, 29 August 2011

As at the date of this announcement, the Board comprises three executive directors namely, Mr. Lei Hong Wai, Mr. Cheung Kwok Wai, Elton 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.