ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

2012
Interim Report

Contents

Corporate Information

Board of Directors

Executive directors
Mr. Lei Hong Wai
(Chairman and Chief Executive Officer)
Mr. Cheung Kwok Wai, Elton
Mr. Chan Kin Wah, Billy

Non-executive director
Mr. Cheung Kwok Fan

Independent non-executive directors
Mr. Wan Shing Chi
Mr. Ng Heung Yan
Mr. Wong Tak Chuen

Company Secretary

Mr. Chan Kin Wah, Billy

Members of Audit Committee

Mr. Wong Tak Chuen
Mr. Wan Shing Chi
Mr. Ng Heung Yan

Members of Remuneration Committee

Mr. Ng Heung Yan
Mr. Lei Hong Wai
Mr. Wan Shing Chi

Members of Nomination Committee

Mr. Lei Hong Wai
Mr. Wan Shing Chi
Mr. Ng Heung Yan

Members of Finance Committee

Mr. Chan Kin Wah, Billy
Mr. Wong Tak Chuen

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Head Office and Principal Place of Business

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168-200 Connaught Road Central
Hong Kong

Principal Share Registrar and Transfer Office

HSBC Securities Services (Bermuda) Limited

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited

Auditors

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

Principal Bankers

Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

Stock Code

764

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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 2012 together with the comparative figures for 2011 as follows:

Condensed Consolidated Income Statement

		Six months ended 30 June	
		2012	2011
		HK$'000	*HK$'000*
	Notes	**(Unaudited)**	(Unaudited)
Turnover	*3*	**45,472**	45,074
Cost of sales		**—**	—
Gross profit		**45,472**	45,074
Investment and other income	*4*	**1,173**	3,328
Other gains and losses	*5*	**52,722**	32,237
Administrative expenses		**(10,856)**	(11,304)
Profit from operations	*6*	**88,511**	69,335
Finance costs		**—**	—
Profit before taxation		**88,511**	69,335
Income tax credit/(expense)	*7*	**2,594**	(5,723)
Profit for the period		**91,105**	63,612
Profit attributable to:			
Owners of the Company		**91,106**	63,612
Non-controlling interests		**(1)**	—
		91,105	63,612
Interim dividend	*8*	**—**	—
			(Restated)
Earnings per share	*9*		
— Basic		**HK44.65 cents**	HK237.59 cents
— Diluted		**HK44.04 cents**	HK237.59 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 **2012** ***HK$'000*** **(Unaudited)**	 2011 *HK$'000* (Unaudited)
Profit for the period		**91,105**	63,612
Other comprehensive income for the period (after tax):			
Gain/(loss) arising on revaluation of available-for-sale financial assets	*14*	**33,500**	(38,616)
Total comprehensive income for the period		**124,605**	24,996
Total comprehensive income attributable to:			
Owners of the Company		**124,606**	24,996
Non-controlling interests		**(1)**	—
		124,605	24,996

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

Condensed Consolidated Statement of Financial Position

	Notes	At 30 June 2012 HK$'000 (Unaudited)	At 31 December 2011 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**517**	630
Investment properties	*11*	**469,690**	442,920
Intangible assets	*12*	**16,829**	43,940
Interests in associates		**—**	—
Convertible notes receivables	*13*	**316,830**	289,857
Available-for-sale financial assets	*14*	**92,632**	59,132
		896,498	836,479
Current assets			
Trade receivables	*15*	**4,698**	4,844
Loans receivables	*16*	**53,257**	—
Deposits, prepayments and other receivables	*17*	**17,631**	15,282
Amount due from an associate		**7,393**	2,003
Financial assets at fair value through profit or loss	*18*	**34,443**	47,038
Convertible notes receivables	*13*	**48,489**	64,872
Conversion options embedded in convertible notes receivables	*19*	**98,200**	75,282
Cash and cash equivalents		**236,816**	217,632
		500,927	426,953
Total assets		**1,397,425**	1,263,432

Condensed Consolidated Statement of Financial Position *(Continued)*

	Notes	At 30 June 2012 HK$'000 (Unaudited)	At 31 December 2011 HK$'000 (Audited)
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*20*	**2,380**	79,344
Reserves		**1,374,092**	1,158,292
Equity attributable to owners of the Company		**1,376,472**	1,237,636
Non-controlling interests		**(2)**	(1)
Total equity		**1,376,470**	1,237,635
LIABILITIES			
Current liabilities			
Accruals and other payables		**10,251**	11,787
Trade deposits received		**477**	477
Rental deposits received		**2,192**	3,113
Tax payable		**4,381**	3,513
		17,301	18,890
Non-current liabilities			
Deferred taxation		**3,654**	6,907
Total liabilities		**20,955**	25,797
Total equity and liabilities		**1,397,425**	1,263,432
Net current assets		**483,626**	408,063
Total assets less current liabilities		**1,380,124**	1,244,542

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 2012

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	Contributed surplus	Share-based payment reserve	Available-for-sale financial assets revaluation reserve	Retained profits	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2011	11,021	482,493	19,844	534,959	12,158	–	284,188	1,344,663	–	1,344,663
Profit for the period	–	–	–	–	–	–	63,612	63,612	–	63,612
Other comprehensive income for the period										
Loss arising on revaluation of available-for-sale financial assets	–	–	–	–	–	(38,616)	–	(38,616)	–	(38,616)
Total comprehensive income for the period	–	–	–	–	–	(38,616)	63,612	24,996	–	24,996
Placing of new shares	2,203	27,175	–	–	–	–	–	29,378	–	29,378
Release on lapse of share options	–	–	–	–	(2,310)	–	2,310	–	–	–
At 30 June 2011	13,224	509,668	19,844	534,959	9,848	(38,616)	350,110	1,399,037	–	1,399,037
At 1 January 2012	**79,344**	**221,744**	**19,844**	**327,303**	**11,148**	**(44,780)**	**623,033**	**1,237,636**	**(1)**	**1,237,635**
Profit/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**91,106**	**91,106**	**(1)**	**91,105**
Other comprehensive income for the period										
Gain arising on revaluation of available-for-sale financial assets	**–**	**–**	**–**	**–**	**–**	**33,500**	**–**	**33,500**	**–**	**33,500**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**33,500**	**91,106**	**124,606**	**(1)**	**124,605**
Capital reorganisation	**(77,360)**	**–**	**–**	**77,360**	**–**	**–**	**–**	**–**	**–**	**–**
Placing of new shares	**396**	**11,942**	**–**	**–**	**–**	**–**	**–**	**12,338**	**–**	**12,338**
Share-based payment expenses	**–**	**–**	**–**	**–**	**1,892**	**–**	**–**	**1,892**	**–**	**1,892**
At 30 June 2012	**2,380**	**233,686**	**19,844**	**404,663**	**13,040**	**(11,280)**	**714,139**	**1,376,472**	**(2)**	**1,376,470**

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**29,458**	27,247
Net cash used in investing activities	**(45,612)**	(197,951)
Net cash generated from financing activities	**35,338**	29,378
Net increase/(decrease) in cash and cash equivalents	**19,184**	(141,326)
Cash and cash equivalents at the beginning of period	**217,632**	989,625
Cash and cash equivalents at the end of period	**236,816**	848,299
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents at the end of period	**236,816**	848,299

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

1. Basis of Preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard (the "**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2011.

The Interim Financial Statements have been prepared on the historical cost basis, except for intangible assets, investment properties and 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 consolidated financial statements of the Group for the year ended 31 December 2011.

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 2012.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets

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

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

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

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (Revised in 2011)	Employee Benefits[2]
HKAS 27 (Revised in 2011)	Separate Financial Statements[2]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 1 (Amendments)	Government loan[2]
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

HKFRS 9 "Financial Instruments" addresses the classification, measurement and derecognition of financial assets and liabilities. The standard is not applicable until 1 January 2015 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 recognised 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 early adopt HKFRS 9.

Save as disclosed above, the directors of the Company anticipate that the application of the above new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. Operating Segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

For management purposes, the Group currently engages in five operating divisions — (i) distribution; (ii) property investment; (iii) sales of financial assets; (iv) provision of management services; and (v) money lending. The segmentations are based on the information about the operations of the Group that management uses to make decisions.

Principal activities are as follows:

(i) Distribution	Distribution of films and sub-licensing of film rights
(ii) Property investment	Leasing of rental properties
(iii) Sales of financial assets	Sales of financial assets at fair value through profit or loss
(iv) Provision of management services	Provision of management services to concierge departments of gaming promoters appointed by Macau casinos
(v) Money lending	Money lending business in Hong Kong

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business unit has different marketing strategies.

Further, the business units are also managed to operate in different countries separately. Revenue and results are attributed to countries on the basis of the assets located.

3. Operating Segments *(Continued)*

An analysis of the Group's reportable segment results, assets, liabilities and other selected financial information for the six months ended 30 June 2012 and 2011 by operating segments are as follow:

(a) *Segment results, assets and liabilities*

Six months ended 30 June 2012

	Distribution HK$'000 (Unaudited)	Property investment HK$'000 (Unaudited)	Sales of financial assets HK$'000 (Unaudited)	Provision of management services HK$'000 (Unaudited)	Money lending HK$'000 (Unaudited)	Unallocated HK$'000 (Unaudited)	Consolidated HK$'000 (Unaudited)
Revenue							
Revenue from external customers	–	2,776	649	38,131	3,916	–	45,472
Results							
Segment results for reportable segments	–	2,776	649	38,131	3,916	–	45,472
Investment and other income							1,173
Administrative expenses							(10,856)
Profit before taxation							35,789
Income tax credit							2,594
Core profit for the period (excluding major non-cash items)							38,383
Major non-cash items							
– Gain arising on change in fair value of conversion options embedded in convertible notes receivables							17,369
– Gain arising on change in fair value of investment properties							34,080
– Gain arising on early redemption of convertible notes receivables							1,836
– Gain on a bargain purchase							32
– Imputed interest income on convertible notes receivables							28,401
– Impairment loss recognised in respect of intangible assets							(27,111)
– Loss arising on change in fair value of financial assets at fair value through profit or loss							(1,885)
Profit for the period							91,105
Segment assets	379	473,768	142,519	21,528	53,789	705,442	1,397,425
Segment liabilities	577	3,879	509	2,019	1,246	12,725	20,955

3. Operating Segments *(Continued)*

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

Six months ended 30 June 2011

	Distribution *HK$'000* (Unaudited)	Property investment *HK$'000* (Unaudited)	Sales of financial assets *HK$'000* (Unaudited)	Provision of management services *HK$'000* (Unaudited)	Money lending *HK$'000* (Unaudited)	Unallocated *HK$'000* (Unaudited)	Consolidated *HK$'000* (Unaudited)
Revenue							
Revenue from external customers	–	–	–	45,074	–	–	45,074
Results							
Segment results for reportable segments	–	–	–	45,074	–	–	45,074
Investment and other income							3,328
Administrative expenses							(11,304)
Profit before taxation							37,098
Income tax expense							(5,723)
Core profit for the period (excluding major non-cash items)							31,375
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
Profit for the period							63,612
Segment assets	403	–	90,658	390,342	–	978,567	1,459,970
Segment liabilities	477	–	3,226	46,119	–	11,111	60,933

3. Operating Segments *(Continued)*

(b) Geographical segments — Turnover

	Six months ended 30 June 2012 HK$'000 (Unaudited)	Six months ended 30 June 2011 HK$'000 (Unaudited)
Hong Kong	**7,341**	—
Macau	**38,131**	45,074
	45,472	45,074

4. Investment and Other Income

	Six months ended 30 June 2012 HK$'000 (Unaudited)	Six months ended 30 June 2011 HK$'000 (Unaudited)
Interest income on bank deposits	**533**	3,327
Gain on disposal of an investment property	**640**	—
Sundry income	**—**	1
	1,173	3,328

5. Other Gains and Losses

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Gain arising on change in fair value of conversion options embedded in convertible notes receivables	**17,369**	—
Gain arising on change in fair value of investment properties	**34,080**	—
Gain arising on early redemption of convertible notes receivables	**1,836**	—
Gain on a bargain purchase	**32**	—
Imputed interest income on convertible notes receivables	**28,401**	—
(Impairment loss recognised)/reversal of impairment loss in respect of intangible assets	**(27,111)**	47,691
Loss arising on change in fair value of financial assets at fair value through profit or loss	**(1,885)**	(15,454)
	52,722	32,237

6. Profit from Operations

Profit from operations has been arrived at after charging:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**113**	113
Share-based payment expenses in respect of consultancy services	**1,284**	—
Staff costs including directors' remuneration:		
— salaries and other allowances	**3,456**	1,697
— contributions to retirement benefits scheme	**43**	36
— share-based payment expenses	**608**	—

7. Income Tax Credit/(Expense)

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax expense	**(659)**	—
Deferred tax credit/(expense)	**3,253**	(5,723)
	2,594	(5,723)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2012 (six months ended 30 June 2011: HK$Nil).

No provision for Macau Complementary Profits Tax has been made for the six months ended 30 June 2012 (six months ended 30 June 2011: HK$Nil) as the Group has no estimated assessable profits.

The deferred tax credit of HK$3,253,000 represented the reversal of deferred tax liabilities arising from the recognition of impairment loss on intangible assets (six months ended 30 June 2011: expense of HK$5,723,000).

8. Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: HK$Nil).

9. Earnings Per Share

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	**91,106**	63,612

	Number of ordinary shares	
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**204,026**	26,774
Effect of dilutive potential ordinary shares: Share options	**2,829**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**206,855**	26,774

The weighted average number of ordinary shares for the six months ended 30 June 2012 and 2011 for the purposes of basic earnings per share have been adjusted to take into account the effect of the capital reorganisation of the Company that became effective on 9 May 2012. In addition, the weighted average number of ordinary shares for the six months ended 30 June 2011 has been adjusted to take into account the open offer of the Company's new shares as completed on 15 August 2011.

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.

10. Property, Plant and Equipment

During the six months ended 30 June 2012, the Group did not acquire or dispose of any property, plant and equipment (year ended 31 December 2011: additions of HK$2,000 and derecognised on disposal of subsidiaries of HK$2,000).

11. Investment Properties

	HK$'000
Fair value:	
At 1 January 2011	—
Acquisition of assets through purchase of a subsidiary	6,508
Acquisition of subsidiaries	435,000
Increase in fair value recognised for the year	1,412
At 31 December 2011 and 1 January 2012 (audited)	442,920
Disposal during the period	(7,310)
Increase in fair value recognised for the period	34,080
At 30 June 2012 (unaudited)	**469,690**

The Group's investment properties are located in Hong Kong and held under medium term lease.

On 27 April 2012, the Group disposed of an investment property with a fair value of HK$7,310,000 to an independent third party at a cash consideration of HK$7,950,000.

The Group's investment properties at 30 June 2012 are stated at fair value which has been arrived at on the basis of valuations carried out on that date by Peak Vision Appraisals Limited ("**Peak Vision**") and Grant Sherman Appraisal Limited ("**Grant Sherman**"). Each of Peak Vision and Grant Sherman is a firm of independent qualified professional valuers with no connection with the Group. Peak Vision and Grant Sherman are members of Hong Kong Institute of Surveyors ("**HKIS**") and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations, which conform to HKIS Valuation Standards on properties (1st Edition 2005), were arrived by reference to market evidence of recent transaction prices for similar properties and the current rents passing and the reversionary income potential of tenancies.

12. Intangible Assets

	HK$'000
Cost:	
At 1 January 2011	456,857
Additions during the year	50
Derecognised on disposal of subsidiaries	(50)
At 31 December 2011, 1 January 2012 and 30 June 2012	456,857
Accumulated impairment and amortisation:	
At 1 January 2011	122,176
Amortisation during the year	2
Elimination on disposal of subsidiaries	(2)
Impairment loss recognised for the year	290,741
At 31 December 2011 and 1 January 2012	412,917
Impairment loss recognised for the period	27,111
At 30 June 2012	440,028
Carrying amounts:	
At 30 June 2012 (unaudited)	**16,829**
At 31 December 2011 (audited)	43,940

The intangible assets represent the carrying amounts of services agreements held by Rich Daily Group Limited ("**Rich Daily**"), a wholly owned subsidiary of the Company and a management services provider to the concierge departments of gaming promoters in Macau. The services agreements have indefinite useful lives and no amortisation has been made.

At 30 June 2012, the directors of the Company reassessed the recoverable amounts of the services agreements held by Rich Daily with reference to the valuations performed by Grant Sherman. In light of one of the services agreements being terminated on 12 September 2012, an impairment loss of HK$27,111,000 was recognised (year ended 31 December 2011: HK$290,741,000). Please refer to the Company's announcement dated 12 September 2011 for the details of termination.

12. Intangible Assets *(Continued)*

The recoverable amounts of the services agreements were assessed by reference to value-in-use calculation. A discount rate of 22.06% per annum (year ended 31 December 2011: 22.88% 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 financial forecasts. 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.

13. Convertible Notes Receivables

	At 30 June 2012 ***HK$'000*** **(Unaudited)**	At 31 December 2011 *HK$'000* (Audited)
At 1 January	**354,729**	—
Subscription of convertible notes receivables	**21,451**	349,980
Imputed interest income on convertible notes receivables	**28,401**	18,478
Interest received on convertible notes receivables	**(18,098)**	(13,729)
Early redemption of convertible notes receivables	**(21,164)**	—
	365,319	354,729
Analysed for reporting purposes as:		
Current assets *(note b)*	**48,489**	64,872
Non-current assets *(notes a and c)*	**316,830**	289,857
	365,319	354,729

13. Convertible Notes Receivables *(Continued)*

Notes:

(a) *China Star Entertainment Limited ("**China Star**")*

On 7 July 2011, China Star issued the convertible notes in an aggregate principal amount of HK$350,000,000 to the Group. The convertible notes are unsecured, interest bearing at 8% per annum and maturing on 6 July 2016.

The convertible notes entitle the holder thereof to convert their principal amount into ordinary shares in China Star at an adjusted conversion price of HK$0.36 per share (subject to further adjustment) during the period from 7 July 2011 to 5 July 2016. Unless previously redeemed or converted, any amount of the convertible notes which remains outstanding on the maturity date shall be redeemed at its then outstanding principal amount.

The debt components of convertible notes are measured at amortised cost and the effective interest rate of the debt components is 13.17% per annum. The conversion option components are presented as conversion options embedded in convertible notes receivables in the condensed consolidated statement of financial position.

At 30 June 2012, the convertible notes receivable from China Star that were expected to be recovered over 12 months from the end of the reporting period were classified as non-current assets.

(b) *Culture Landmark Investment Limited ("**Culture Landmark**")*

On 29 December 2011, Culture Landmark issued the convertible notes in an aggregate principal amount of HK$75,000,000 to the Group. The convertible notes are unsecured, interest bearing at 12% per annum and maturing on 28 December 2012.

The convertible notes entitle the holder thereof to convert their principal amount into ordinary shares in Culture Landmark at an initial conversion price of HK$0.08 per share (subject to adjustment) during the period from 29 December 2011 to 27 December 2012. Unless previously redeemed or converted, any amount of the convertible notes which remains outstanding on the maturity date shall be redeemed at its then outstanding principal amount.

13. Convertible Notes Receivables *(Continued)*

Notes (Continued):

(b) *Culture Landmark Investment Limited ("**Culture Landmark**") (Continued)*

The debt components of the convertible notes are measured at amortised cost and the effective interest rate of the debt components is 29.65% per annum. The conversion options components are presented as conversion options embedded in convertible notes receivables in the condensed consolidated statement of financial position.

On 28 May 2012, the convertible notes in the principal amount of HK$23,000,000 were early redeemed by Culture Landmark at par. Accordingly, a gain arising on early redemption of convertible notes receivables of HK$1,836,000 was recognised.

At 30 June 2012, the convertible notes receivable from Culture Landmark were classified as current assets.

(c) *Koffman Corporate Service Limited ("**Koffman**")*

On 22 March 2012, Koffman issued the convertible note in a principal amount of HK$27,000,000 to the Group. The convertible note is unsecured, non-interest bearing and maturing on 21 March 2015.

Provided that the convertible note has not been redeemed, the whole convertible note shall automatically be converted into shares in Koffman upon the success of initial public offering of Koffman's shares at the price of initial public offering. Any amount of the convertible note which remains outstanding on the maturity date shall be redeemed by Koffman at its then outstanding principal amount plus a premium calculated at 20% of the then outstanding principal amount.

The debt component of the convertible note is measured at amortised cost and the effective interest rate of the debt component is 7.97% per annum. The conversion option component is presented as conversion option embedded in convertible notes receivables in the condensed consolidated statement of financial position.

At 30 June 2012, the convertible note receivable from Koffman was classified as non-current assets.

14. Available-for-sale Financial Assets

	At 30 June 2012 ***HK$'000*** **(Unaudited)**	At 31 December 2011 *HK$'000* (Audited)
Listed equity securities in Hong Kong, at fair value		
At 1 January	**58,960**	53,720
Additions	**—**	50,020
Gain/(loss) arising on revaluation of available-for-sale financial assets	**33,500**	(44,780)
	92,460	58,960
Club debenture	**172**	172
	92,632	59,132

15. Trade Receivables

The following is an aged analysis of trade receivables (net of impairment allowance) at the end of reporting period:

	At 30 June 2012 ***HK$'000*** **(Unaudited)**	At 31 December 2011 *HK$'000* (Audited)
0 — 30 days	**4,698**	4,844

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

16. Loans Receivables

	At 30 June 2012 HK$'000 (Unaudited)	At 31 December 2011 HK$'000 (Audited)
Loans to customers	**36,547**	—
Accrued interest receivables	**16,710**	—
	53,257	—
Less: impairment allowance	**—**	—
	53,257	—

A maturity profile of the loans receivables (net of impairment allowance, if any) as at the end of the reporting period, based on the maturity date is as follows:

	At 30 June 2012 HK$'000 (Unaudited)	At 31 December 2011 HK$'000 (Audited)
Within one year	**53,257**	—

17. Deposits, Prepayments and Other Receivables

	At 30 June 2012 HK$'000 (Unaudited)	At 31 December 2011 HK$'000 (Audited)
Deposits	**840**	1,114
Prepayments	**60**	103
Other receivables	**16,731**	14,065
	17,631	15,282

18. Financial Assets at Fair Value Through Profit or Loss

	At 30 June 2012 ***HK$'000*** **(Unaudited)**	At 31 December 2011 *HK$'000* (Audited)
Investments held-for-trading:		
Listed equity securities in Hong Kong, at fair value	**28,243**	44,308
Listed derivatives in Hong Kong, at fair value	**6,200**	2,730
	34,443	47,038

19. Conversion Options Embedded in Convertible Notes Receivables

	At 30 June 2012 ***HK$'000*** **(Unaudited)**	At 31 December 2011 *HK$'000* (Audited)
At 1 January	**75,282**	—
Subscription of convertible notes receivables — conversion option components	**5,549**	75,020
Gain arising on change in fair value of conversion option components	**17,369**	262
	98,200	75,282

Note:

Binomial option pricing model is used for valuation for the conversion option components.

20. Share Capital

	Number of shares *'000*	Share capital *HK$'000*
Ordinary shares of HK$0.01 each (2011: HK$0.01 each)		
Authorised:		
At 1 January 2011	2,000,000	20,000
Authorisation of new shares *(note a)*	8,000,000	80,000
At 31 December 2011, 1 January 2012 and 30 June 2012	10,000,000	100,000
Issued and fully paid:		
At 1 January 2011	1,102,112	11,021
Placing of new shares *(note b)*	220,280	2,203
Open offer of new shares *(note c)*	6,611,961	66,120
At 31 December 2011 and 1 January 2012 (audited)	7,934,353	79,344
Capital reorganisation *(note d)*		
— share consolidation	(7,735,994)	—
— capital reduction	—	(77,360)
Placing of new shares *(note e)*	39,670	396
At 30 June 2012 (unaudited)	238,029	2,380

Notes:

(a) On 14 July 2011, the authorised share capital of the Company was increased from HK$20,000,000 divided into 2,000,000,000 ordinary shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 ordinary shares of HK$0.01 each by the creation of an additional 8,000,000,000 new ordinary shares of HK$0.01 each.

(b) On 17 June 2011, 220,280,000 new ordinary shares of HK$0.01 each were allotted and issued at a price of HK$0.135 per new share by way of a top-up placing under general mandate. The net proceeds of HK$29,378,000 were intended to be used for financing the proposed acquisition of the entire issued share capital of Adelio Holdings Limited as announced by the Company on 2 June 2011.

20. Share Capital *(Continued)*

Notes: (Continued)

(c) On 15 August 2011, 6,611,960,980 new ordinary shares of HK$0.01 each were allotted and issued at a subscription price of HK$0.04 per new share 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. The net proceeds of HK$260,689,000 were intended to be used for financing the proposed acquisition of the entire issued share capital of Adelio Holdings Limited.

(d) On 9 May 2012, the capital of the Company was reorganised involving (i) every 40 existing shares of HK$0.01 each in the issued share capital of the Company be consolidated into one share of HK$0.40 (the "**Consolidated Share**") (the "**Share Consolidation**"); (ii) the total number of the Consolidated Shares in the issued share capital of the Company be rounded down to a whole number by cancelling the fractional Consolidated Share arising from the Share Consolidation; (iii) the paid-up capital of each Consolidated Share be reduced from HK$0.40 to HK$0.01 by cancelling HK$0.39 (together with (ii) above are hereinafter referred to as the "**Capital Reduction**") so as to form a new share of HK$0.01; and (iv) the amount of credit arising in the accounts of the Company from the Capital Reduction be credited to the contributed surplus account of the Company.

(e) On 18 May 2012, 39,670,000 new ordinary shares of HK$0.01 each were allotted and issued at a price of HK$0.32 per new share by way of placing of new shares under specific mandate. The net proceeds of HK$12,338,000 were intended to be used for financing possible property investment project of the Group and/or enhancing the Group's fixed income portfolio by subscribing additional high-yield convertible notes.

21. Acquisition of a Subsidiary

On 3 January 2012, the Group entered into a conditional sale and purchase agreement with Koffman Financial Group Limited and Mr. Yu Shu Kuen, both of them are independent third parties, for acquiring the entire issued shares in and the sale loan due by Hong Kong Builders Finance Limited at a cash consideration of approximately HK$33,069,000. The acquisition was completed on 5 January 2012.

	HK$'000 **(Unaudited)**
Loans receivables	33,605
Other receivables	912
Cash and cash equivalents	5
Accruals and other payables	(1,212)
Amount due to the shareholder	(32,295)
Tax payable	(209)
	806
Sale loan	32,295
Gain on a bargain purchase	(32)
Total consideration, satisfied by cash	33,069
Net cash outflow arising on acquisition:	
Cash consideration paid	33,069
Cash and cash equivalents acquired	(5)
	33,064

The gain on a bargain purchase represented the excess of the fair value net assets as at the acquisition date over the fair value of the consideration.

22. Commitments

(a) Lease commitments

The Group as lessee

At 30 June 2012, 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 2012 HK$'000 (Unaudited)	At 31 December 2011 HK$'000 (Audited)
Within one year	**1,489**	706
In the second to fifth year inclusive	**2,730**	—
	4,219	706

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.

The Group as lessor

Property rental income earned during the period was HK$2,776,000 (year ended 31 December 2011: HK$281,000). Certain of the properties have committed tenants with fixed rental for an average term of two years.

At 30 June 2012, the Group had contracted with tenants for the following future minimum lease payments:

	At 30 June 2012 HK$'000 (Unaudited)	At 31 December 2011 HK$'000 (Audited)
Within one year	**5,761**	5,128
In the second to fifth year inclusive	**3,628**	5,128
	9,389	10,256

(b) Other commitments

At 30 June 2012, the Group had other commitments of HK$360,324,000 relating to:

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

22. Commitments *(Continued)*

(b) Other commitments *(Continued)*

(ii) six building mortgages in the aggregate principal amount of HK$9,000,000 to be made to six individuals pursuant to six building mortgages entered into between the Group and the six individuals in February 2012; and

(iii) the payment of consideration of HK$51,324,000 for acquiring 146,640,000 shares in China Media and Films Holdings Limited ("**China Media**", formerly known as KH Investment Holdings Limited) pursuant to the conditional sale and purchase agreement entered into between the Company as purchaser and Culture Landmark as vendor on 28 May 2012.

23. Material Related Party Transactions

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

(a) During the six months ended 30 June 2012, the Group had the following material transaction with a related party which is carried out on normal commercial terms and in the ordinary course of the Group's business:

		Six months ended 30 June	
Name of the related party	**Nature of transaction**	**2012** ***HK$'000*** **(Unaudited)**	2011 *HK$'000* (Unaudited)
Advance Top Limited	Cash advanced by the Group	**5,390**	—

(b) 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	
	2012 ***HK$'000*** **(Unaudited)**	2011 *HK$'000* (Unaudited)
Salaries and allowances	**3,217**	1,190
Contribution to retirement benefits scheme	**31**	15
Share-based payment expenses	**608**	—

24. Contingent Liabilities

At 30 June 2012, the Group had a material contingent liability relating to a claim brought by China Finance & Assets Management Limited ("**China Finance**") in the High Court Action No. 526 of 2010 against Rexdale Investment Limited, a wholly owned subsidiary of the Company, for failing to pay a service fee in the sum of HK$25,000,000 to China Finance.

No provision for the claim brought by China Finance was made in the condensed consolidated financial statements as Lafe Corporation Limited has undertaken to indemnify and keep indemnified the Group against any all losses, claims, damages, penalties, actions, demands, proceedings, judgment and costs arising from or in connection with the claim.

25. Events After the Reporting Period

Subsequent to 30 June 2012 and up to the date of the Interim Financial Statements, the Group had following material events:

(a) on 3 August 2012, the Group acquired 146,640,000 shares in China Media from Culture Landmark at a consideration of HK$51,324,000;

(b) on 3 August 2012, Culture Landmark early redeemed the remaining outstanding balance of the convertible notes of HK$52,000,000 held by the Group at par;

(c) on 21 August 2012, the Group has conditionally agreed to grant a loan of HK$22,500,000 to an individual. The loan is unsecured, interest bearing at 8% per annum and maturing on the date falling two years from the date of drawdown. The loan was fully drawn on 22 August 2012; and

(d) on 21 August 2012, the Group entered into two conditional sale and purchase agreements with two independent third parties relating to the proposed acquisitions of two properties located at Ma Yau Tong, Sai Kung, New Territories, Hong Kong at a cash consideration of HK$10,719,000 for each of the two properties. The proposed acquisitions of the two properties were completed on 22 August 2012.

26. Approval of Interim Financial Statements

The Interim Financial Statements were approved and authorised for issue by the Board on 29 August 2012.

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited
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
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 3 to 31, which comprise the condensed consolidated statement of financial position of Eternity Investment Limited and its subsidiaries as of 30 June 2012 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-month period then ended, and a summary of significant accounting policies and other 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 fair 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 these interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information does not present fairly, in all material respects, in accordance with HKAS 34 “Interim Financial Reporting”.

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467

Hong Kong, 29 August 2012

Management Discussion and Analysis

Financial Review

Results of operations

During the six months ended 30 June 2012, the Group recorded a revenue of HK$45,472,000, a 0.88% increase from HK$45,074,000 for the same period of the previous year. Of the total turnover, HK$38,131,000 or 83.86% was generated from provision of management services, HK$3,916,000 or 8.61% was generated from money lending, HK$2,776,000 or 6.10% was generated from property investment and HK$649,000 or 1.43% was generated from sales of financial assets. Profit for the six months ended 30 June 2012 amounted to HK$91,105,000, a 43.22% increase from HK$63,612,000 for the correspondence period in 2011. This increase was mainly attributable to the recognition of a gain arising on change in fair value of investment properties of HK$34,080,000 and a gain arising on change in fair value of conversion options embedded in convertible notes receivables of HK$17,369,000, which were partly offset by an impairment loss on intangible assets of HK$27,111,000.

Investment and other income decreased by 64.75% from HK$3,328,000 in the six months ended 30 June 2011 to HK$1,173,000 in the six months ended 30 June 2012. This decrease was attributable to the lower interest income on bank deposits in the six months ended 30 June 2012 as the Group's cash and bank balances decreased by 72.08% from HK$848,299,000 at 30 June 2011 to HK$236,816,000 at 30 June 2012. Such decrease was partly offset by a gain on disposal of an investment property of HK$640,000.

Other gains and losses represent items of income and expenses, which are material and/or extraordinary in nature. Major items of other gains and losses recorded by the Group during the six months ended 30 June 2012 are as follows:

(a) in the second half of 2011, the Group subscribed for the first tranche of convertible notes of HK$350,000,000 issued by China Star Entertainment Limited ("**China Star**", stock code: 326) and the convertible notes of HK$75,000,000 issued by Culture Landmark Investment Limited ("**Culture Landmark**", stock code: 674). In March 2012, the Group subscribed for a convertible note of HK$27,000,000 issued by Koffman Corporate Service Limited ("**Koffman Corporate**"), a Hong Kong private company, at its face value. Accordingly, the Group recognised an imputed interest income on convertible notes receivables of HK$28,401,000;

Financial Review *(Continued)*

Results of operations *(Continued)*

(b) the fair value of the conversion options embedded in convertible notes receivables was reassessed at the end of the reporting period with reference to the valuations performed by an independent professional valuer. As the closing price per share in China Star surged from HK$0.22 on 30 December 2011 to HK$0.345 on 29 June 2012, the fair value of the conversion options embedded in the convertible notes receivable from China Star increased from HK$65,070,000 at 31 December 2011 to HK$93,595,000 at 30 June 2012. Accordingly, a gain arising on change in fair value of the conversion options embedded in the convertible notes receivable from China Star of HK$28,525,000 was recognised. Such gain was partly offset by the losses arising on change in fair value of conversion options embedded in the convertible notes receivable from Culture Landmark and Koffman Corporate of HK$7,453,000 and HK$3,703,000 respectively;

(c) at the end of the reporting period, the directors reassessed the fair value of investment properties held by the Group with reference to the property valuations performed by the independent professional valuers and, in light of the recent increase in property prices in Hong Kong, a gain arising on change in fair value of investment properties of HK$34,080,000 was recognised;

(d) at the end of the reporting period, the directors reassessed the recoverable amounts of management services agreements held by the Group with reference to the valuations performed by the independent professional valuer and, in light of the management services agreement with Dore Entretenimento Sociedade Unipessoal Limitada ("**Dore**"), a licensed gaming promoter for Wynn Macau, being terminated on 12 September 2012, an impairment loss on intangible assets of HK$27,111,000 was recognised; and

(e) in May 2012, Culture Landmark early redeemed HK$23,000,000 of the convertible notes of HK$75,000,000 held by the Group at par. As a result, a gain arising on early redemption of convertible notes receivables of HK$1,836,000 was recognised.

Financial Review *(Continued)*

Results of operations *(Continued)*

Administrative expenses (before depreciation) amounted to HK$10,743,000 for the six months ended 30 June 2012, a 4.00% decrease from HK$11,191,000 for the same period of the previous year. This decrease was mainly attributable to the decrease in legal and professional fees, which was partly offset by the share-based payment expenses of HK$1,892,000 and the increase in salaries and other allowances of HK$1,759,000.

During the six months ended 30 June 2012, Spark Concept Group Limited and its subsidiaries (the "**Spark Concept Group**"), the associates of the Group engaged in catering and wine trading business in Hong Kong, reported a loss of HK$1,841,000. As the Group's share of post-acquisition losses equals to its interests in Spark Concept Group Limited, the Group did not further recognise its share of losses.

For the six months ended 30 June 2012, the Group recorded an income tax credit of HK$3,253,000 which represents the reversal of deferred tax liabilities arising from the recognition of impairment loss on intangible assets. This income tax credit was partly offset by the income tax expense of HK$659,000.

Liquidity and financial resources

During the six months ended 30 June 2012, 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$1,237,636,000 at 31 December 2011 to HK$1,376,472,000 at 30 June 2012.

At 30 June 2012, the cash and cash equivalents of the Group amounted to HK$236,816,000 (31 December 2011: HK$217,632,000).

At 30 June 2012, the Group had no borrowings (31 December 2011: Nil).

Financial Review *(Continued)*

Net current assets and current ratio

At 30 June 2012, the Group's net current assets and current ratio were HK$483,626,000 (31 December 2011: HK$408,063,000) and 28.95 (31 December 2011: 22.60), respectively.

Capital structure

During the six months ended 30 June 2012, the capital structure of the Company had the following changes:

(a) on 9 May 2012, the capital of the Company was reorganised involving (i) every 40 existing shares of HK$0.01 each in the issued share capital of the Company be consolidated into one share of HK$0.40 (the "**Consolidated Share**") (the "**Share Consolidation**"); (ii) the total number of the Consolidated Shares in the issued share capital of the Company be rounded down to a whole number by cancelling the fractional Consolidated Share arising from the Share Consolidation; (iii) the paid-up capital of each Consolidated Share be reduced from HK$0.40 to HK$0.01 by cancelling HK$0.39 (together with (ii) above are hereinafter referred to as the "**Capital Reduction**") so as to form a new share of HK$0.01; and (iv) the amount of credit arising in the accounts of the Company from the Capital Reduction be credited to the contributed surplus account of the Company; and

(b) on 18 May 2012, the Company issued 39,670,000 new shares at a price of HK$0.32 per new share by way of placing under specific mandate raising HK$12,338,000 (net of expenses) for financing possible property investment project of the Group and/or enhancing the Group's fixed income portfolio by subscribing high-yield convertible notes.

Financial Review *(Continued)*

Material acquisitions

During the six months ended 30 June 2012, the Group had the following material acquisitions:

(a) on 5 January 2012, the Group acquired the entire issued shares in and the sale loan due by Hong Kong Builders Finance Limited ("**Hong Kong Builders**") from Koffman Financial Group Limited, an independent third party, at a cash consideration of HK$33,069,172. Hong Kong Builders is carrying on money lending business in Hong Kong; and

(b) on 22 March 2012, the Group subscribed for the convertible note in the principal amount of HK$27,000,000 issued by Koffman Corporate. The convertible note is unsecured, non-interest bearing and maturing on 21 March 2015. Provided that the convertible note has not been redeemed, the whole convertible note shall automatically be converted into shares in Koffman Corporate upon the success of initial public offering of Koffman Corporate's shares at the price of initial public offering. Any amount of the convertible note which remains outstanding on the maturity date shall be redeemed by Koffman Corporate at its then outstanding principal amount plus a premium calculated at 20% of the then outstanding principal amount.

Material disposals

During the six months ended 30 June 2012, the Group had the following material disposals:

(a) on 27 April 2012, the Group disposed of the residential property located at Tseung Kwan O, New Territories, Hong Kong at a cash consideration of HK$7,950,000; and

(b) on 28 May 2012, Culture Landmark early redeemed HK$23,000,000 of the convertible notes of HK$75,000,000 held by the Group at par.

Pledge of assets

At 30 June 2012, no assets of the Group were pledged.

Financial Review *(Continued)*

Commitments

At 30 June 2012, the Group had a total commitments of HK$360,324,000 relating to:

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

(b) six building mortgages in the aggregate principal amount of HK$9,000,000 to be made to six individuals pursuant to six building mortgages entered into between Hong Kong Builders and the six individuals in February 2012; and

(c) the payment of consideration of HK$51,324,000 for acquiring 146,640,000 shares in China Media and Films Holdings Limited ("**China Media**", formerly known as KH Investment Holdings Limited and stock code: 8172) pursuant to the conditional sale and purchase agreement entered into between the Company as purchaser and Culture Landmark as vendor on 28 May 2012.

Exchange risk and hedging

During the six months ended 30 June 2012, the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars. Accordingly, no financial instruments for hedging purposes have been used by the Group.

Contingent liabilities

At 30 June 2012, the Group had a material contingent liability relating to a claim brought by China Finance & Assets Management Limited ("**China Finance**") in the High Court Action No. 526 of 2010 against Rexdale Investment Limited, a wholly owned subsidiary of the Company, for failing to pay a service fee in the sum of HK$25,000,000 to China Finance.

Financial Review *(Continued)*

Contingent liabilities *(Continued)*

No provision for the claim was made in the condensed consolidated financial statements of the Group for the six months ended 30 June 2012 as Lafe Corporation Limited has undertaken to indemnify and keep indemnified the Group against any and all losses, claims, damages, penalties, actions, demands, proceeding, judgment and costs arising from or in connection with the claim.

Employees and remuneration policy

At 30 June 2012, the headcount of the Group was 12 (2011: 10). Staff costs (including directors' remuneration) amounted to HK$4,107,000 (2011: HK$1,733,000). 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 2012, 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. For the purpose of revitalising the Group's film distribution business, the Company as purchaser entered into the conditional sale and purchase agreement with Culture Landmark as vendor on 28 May 2012 relating to the acquisition of 146,640,000 shares in China Media at a consideration of HK$51,324,000. The directors consider that the acquisition enables the Group to (i) form a strategic alliance with Culture Landmark and China Media leveraging on each respective strengths; and (ii) secure a stable supply of films from China Media for distribution in Mainland China. The acquisition was approved by the shareholders on 27 July 2012 and completed on 3 August 2012.

Operations Review *(Continued)*

The first quarter of 2012 has proved strongly positive for Hong Kong equities, with the Hang Seng Index rising by some 11%. However, Hong Kong equities gave up much of their first quarter gains in the second quarter, owing to deterioration in both the European debt crisis as well as the growth momentum of the Mainland China economy. In view of the continuation of volatility, the Group did not make any investment in equities, but sought opportunities to realise its equities. In March 2012, the Group disposed of certain equities and recorded a gain of HK$649,000. During the six months ended 30 June 2012, the Group recorded a loss arising on change in fair value of HK$1,885,000 for its financial assets at fair value through profit or loss. As the closing price per share in China Star surged from HK$0.22 on 30 December 2011 to HK$0.345 on 29 June 2012, a gain arising on revaluation of available-for-sale financial assets of HK$33,500,000 was recognised in the condensed consolidated statement of comprehensive income.

During the six months ended 30 June 2012, the Group's provision of management services business generated services fee income amounted to HK$38,131,000, a 15.40% decrease as compared to the same period of the previous year. This decrease reflects a keen competition in Macau VIP gaming sector following the opening of the first phase of Sands Cotai Central and Galaxy Macau in mid 2011, despite a 15.09% increase in Macau VIP gaming revenue in the first half of 2012 as compared to the correspondence period of 2011.

On 12 September 2011, the Group was informed by Dore that the management services agreement dated 30 June 2008 entered into between the Group and Dore would be terminated on 12 September 2012. Given that the services fee income generated from the management services agreement represents a substantial portion of the revenue of the Group's provision of management services business, it is expected that there will be a substantial decrease in the revenue of the Group's provision of management services business from 12 September 2012. In view of the management services agreement being terminated on 12 September 2012, the Group further recognised an impairment loss on intangible assets of HK$27,111,000 in the six months ended 30 June 2012. Upon the termination of the management services agreement with Dore on 12 September 2012, the Group shall continue to carry out the business of provision of management services to the concierge department of gaming promoter pursuant to the remaining management services agreement held by it.

Operations Review *(Continued)*

During the six months ended 30 June 2012, the investment properties (the "**Kwun Tong Property**") located at Kwun Tong, Kowloon, Hong Kong generated a rental income of HK$2,776,000 and its occupancy rate calculated in gross floor area was 41.26% at 30 June 2012. Activities have been carried out for selling the Kwun Tong Property entirely or partly. Enquiries have been received, but no terms or agreements have been reached up to the date of this report. In April 2012, the Group disposed of its residential property located at Tseung Kwan O, New Territories, Hong Kong at a cash consideration of HK$7,950,000 and recorded a gain on disposal of an investment property of HK$640,000.

With a view to diversify its revenue sources, the Group expanded into money lending business by acquiring the entire issued shares in and the sale loan due by Hong Kong Builders, a Hong Kong company engaged in money lending business, at a consideration of HK$33,069,172. As the fair value of the net identifiable assets of Hong Kong Builders exceeds the fair value of the consideration paid by HK$32,000, the Group recognised a gain on a bargain purchase of HK$32,000. During the six months ended 30 June 2012, Hong Kong Builders generated interest income of HK$3,916,000 and granted a loan in the principal amount of HK$15,000,000 to a customer. In February 2012, Hong Kong Builders entered into six building mortgages in the aggregate principal amount of HK$9,000,000 with six individuals. The drawdown of the building mortgages are expected to be taken place in the third quarter of 2012. At 30 June 2012, Hong Kong Builders loans receivables together with accrued interest receivables amounted to HK$53,257,000.

For the purpose of creating a fixed income portfolio, the Group subscribed for the convertible notes of HK$350,000,000 and HK$75,000,000 issued by China Star and Culture Landmark respectively in 2011. In March 2012, the Group subscribed for the convertible note issued by Koffman Corporate in the principal amount of HK$27,000,000 at its face value. The convertible note issued by Koffman Corporate is unsecured, non-interest bearing and maturing on 21 March 2015. According to the terms of the convertible note issued by Koffman Corporate, the whole convertible note shall automatically be converted into shares in Koffman Corporate upon the success of initial public offering of Koffman Corporate's shares at the price of initial public offering, provided that the convertible note has not been redeemed. Any amount of the convertible note which remains outstanding on the maturity date shall be redeemed by Koffman Corporate at its then outstanding principal amount plus a premium calculated at 20% of the then outstanding principal amount. In May 2012, Culture Landmark early redeemed HK$23,000,000 of the convertible notes of HK$75,000,000 held by the Group at par. Accordingly, a gain arising on early redemption of convertible notes receivables of HK$1,836,000 was recorded. During the six months ended 30 June 2012, the Group's fixed income portfolio generated imputed interest income of HK$28,401,000.

Operations Review *(Continued)*
In the six months ended 30 June 2012, the Spark Concept Group expanded its operations by opening a Japanese noodle shop in Central District and a European cuisine restaurant in Sheung Wan. The Spark Concept Group now has four operating arms, which are two restaurants, the Japanese noodle shop and a wine trading company. To finance the capital expenditures for opening of the Japanese noodle shop and the European cuisine restaurant, each of the shareholders of Spark Concept Group Limited made an interest-free advance to the Spark Concept Group according to its shareholding interest. In January 2012, the Group made a cash advance of HK$5,390,000 to the Spark Concept Group. At 30 June 2012, the Spark Concept Group owed the Group an amount of HK$7,393,000, which is unsecured, interest-free and repayable on demand. Due to the rising in food and labour costs and the pre-operating expenses incurred, the Spark Concept Group reported a loss of HK$1,841,000 for the period. As the Group's share of post-acquisition losses equals to its interests in Spark Concept Group Limited, no further share of losses was recognised.

Future Prospects
The directors believe the unresolved European debt situation continues to pose challenging market conditions for Hong Kong equities. Moreover, the pace and magnitude of policy easing in Mainland China continues to underwhelm. As such, the Group will continue to adopt a more conservative investment approach toward its sales of financial assets business for the remaining financial year of 2012.

As one of its management services agreements will be terminated on 12 September 2012, it is expected that the performance of the Group's provision of management services business will be significantly deteriorated in the second half of 2012. In light of the keen competition in Macau VIP gaming sector and the further contraction in the Mainland China economy, the directors have ceased to explore opportunities in providing management services to the concierge departments of other gaming promoters in Macau.

For the property investment business, the Group intends to sell the Kwun Tong Property entirely or partly and the car parking space located at Tseung Kwan O, New Territories, Hong Kong for capital gain. Following the Energizing Kowloon East Project announced by the Chief Executive of Hong Kong Special Administrative Region in 2011, the price level of industrial buildings in Kwun Tong is challenging higher and higher level. With the recent expansion of The Link's investment strategy to include non-residential properties, speculation activities are active since May 2012. The directors believe that the Kwun Tong Property is able to generate a considerable capital gain to the Group.

Future Prospects *(Continued)*

Given that the European debt crisis remains unresolved and there is a further contraction in the Mainland China economy, the Hong Kong economy has inevitably been affected. The Group will adopt a more cautious approach during its assessment and approval of loans in order to reduce its credit risk. Accordingly, the directors expect a steady growth in the newly expanded money lending business.

The directors believe that the key risks for the second half of 2012 are (i) weaker than forecast United States growth, (ii) the risk of a hard economic landing in Mainland China, (iii) a failure to agree a long term sustainable structure for the Eurozone, and (iv) recession in Europe proves deeper and longer than expected. As such, the Group will continue to cautiously monitor the business environment, focus on its existing business and implement prudent cost control strategies.

Events after the Reporting Period

Subsequent to 30 June 2012, the Group had the following material events:

(a) on 3 August 2012, the Group acquired 146,640,000 shares in China Media from Culture Landmark at a consideration of HK$51,324,000;

(b) on 3 August 2012, Culture Landmark early redeemed the remaining outstanding balance of the convertible notes of HK$52,000,000 held by the Group at par;

(c) on 21 August 2012, Hong Kong Builders has conditionally agreed to grant a loan of HK$22,500,000 to an individual. The loan is unsecured, interest bearing at 8% per annum and maturing on the date falling two years from the date of drawdown. The loan was fully drawn on 22 August 2012; and

(d) on 21 August 2012, the Group entered into two conditional sale and purchase agreements with two independent third parties relating to the proposed acquisitions of two properties located at Ma Yau Tong, Sai Kung, New Territories, Hong Kong at a cash consideration of HK$10,719,000 for each of the properties. The proposed acquisitions of these two properties were completed on 22 August 2012. It is currently intended by the Group that it will hold these two properties as long-term investments for rental purposes.

Additional Information Required by Listing Rules

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: HK$Nil).

Directors' Interests in Shares and Underlying Shares

At 30 June 2012, 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:

Long positions

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

Directors	*Notes*	**Capacity**	**Number of issued shares held**	**Percentage of the issued share capital of the Company**
Mr. Lei Hong Wai	*1 and 2*	Held by controlled corporations	67,432,000	28.33%
Mr. Cheung Kwok Wai, Elton	*1 and 3*	Held by controlled corporations	67,432,000	28.33%
Mr. Cheung Kwok Fan	*1 and 3*	Held by controlled corporations	67,432,000	28.33%
Mr. Chan Kin Wah, Billy		Beneficial owner	33,000	0.01%

Notes:

1. These shares are beneficially owned by Twin Success International Limited. Twin Success International Limited is owned as to 50% by Silver Pacific International Limited and as to 50% by Silver Pacific Development Limited.

2. Silver Pacific International Limited is wholly owned by Mr. Lei Hong Wai.

3. Silver Pacific Development Limited is owned as to 50% by Mr. Cheung Kwok Wai, Elton and as to 50% by Mr. Cheung Kwok Fan.

Additional Information Required by Listing Rules *(Continued)*

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

Long positions *(Continued)*

b. *Share options*

Directors	Capacity	Number of share options held	Number of underlying shares
Mr. Lei Hong Wai	Beneficial owner	933	933
Mr. Cheung Kwok Wai, Elton	Beneficial owner	1,982,500	1,982,500
Mr. Chan Kin Wah, Billy	Beneficial owner	2,374,849	2,374,849

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 2012.

Share Option Scheme

Pursuant to an ordinary resolution passed by the shareholders on 12 December 2011, the Company adopted a new share option scheme to replace the share option scheme adopted on 21 January 2002. The principal terms of the new share option scheme were disclosed in the Company's 2011 annual report. Details of movements in the Company's share options during the six months ended 30 June 2012 are set out as follows:

		Number of share options					
	Type of share options	Outstanding at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	Adjusted for capital reorganisation	Outstanding at 30 June 2012
Directors and chief executive							
Mr. Lei Hong Wai	2002	56,641	–	–	(56,641)	–	–
	2007B	37,324	–	–	–	(36,391)	933
		93,965	–	–	(56,641)	(36,391)	933
Mr. Cheung Kwok Wai, Elton	2011	79,300,000	–	–	–	(77,317,500)	1,982,500
		79,300,000	–	–	–	(77,317,500)	1,982,500
Mr. Chan Kin Wah, Billy	2004	56,641	–	–	–	(55,225)	1,416
	2007B	37,324	–	–	–	(36,391)	933
	2011	30,900,000	–	–	–	(30,127,500)	772,500
	2012	–	1,600,000	–	–	–	1,600,000
		30,993,965	1,600,000	–	–	(30,219,116)	2,374,849
Total directors and chief executive		110,387,930	1,600,000	–	(56,641)	(107,573,007)	4,358,282
Employees and consultants							
	2002	169,925	–	–	(169,925)	–	–
	2004	272,119	–	–	–	(265,316)	6,803
	2007A	180,298	–	–	–	(175,791)	4,507
	2007B	868,930	–	–	–	(847,207)	21,723
	2012	–	18,200,000	–	–	–	18,200,000
Total employees and consultants		1,491,272	18,200,000	–	(169,925)	(1,288,314)	18,233,033
Total		111,879,202	19,800,000	–	(226,566)	(108,861,321)	22,591,315
Exercisable at the end of the period							22,591,315

Note: The number of share options is adjusted for the capital reorganisation of the Company that became effective on 9 May 2012.

Share Option Scheme *(Continued)*

Details of specific categories of share options are as follows:

Share option type	Date of grant	Exercise period	Exercise price
2002	8 March 2002	8 March 2002 to 7 March 2012	HK$218.066
2004	13 December 2004	13 December 2004 to 12 December 2014	HK$6,507.920*
2007A	22 March 2007	22 March 2007 to 21 March 2017	HK$1,577.600*
2007B	31 May 2007	31 May 2007 to 30 May 2017	HK$2,348.400*
2011	20 October 2011	20 October 2011 to 19 October 2012	HK$1.808*
2012	4 June 2012	4 June 2012 to 3 June 2013	HK$0.345

*: The exercise prices are adjusted for the capital reorganisation of the Company that became effective on 9 May 2012.

Substantial Shareholders

At 30 June 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

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

Shareholders	*Notes*	Capacity	Number of issued shares held	Percentage of the issued share capital of the Company
Twin Success International Limited		Beneficial owner	67,432,000	28.33%
Silver Pacific International Limited	*1*	Held by controlled corporation	67,432,000	28.33%
Silver Pacific Development Limited	*1*	Held by controlled corporation	67,432,000	28.33%
Mr. Lei Hong Wai	*1 and 2*	Held by controlled corporations	67,432,000	28.33%

Substantial Shareholders *(Continued)*

Long positions *(Continued)*

a. Ordinary shares of HK$0.01 each of the Company (Continued)

Shareholders	*Notes*	Capacity	Number of issued shares held	Percentage of the issued share capital of the Company
Mr. Cheung Kwok Wai, Elton	*1 and 3*	Held by controlled corporations	67,432,000	28.33%
Mr. Cheung Kwok Fan	*1 and 3*	Held by controlled corporations	67,432,000	28.33%
Ms. Au Tsui Yee Maggie		Beneficial owner	18,525,000	7.78%
Asia Vest Partners VII Limited	*4*	Held by controlled corporations	32,373	9.95%
Asia Vest Partners X Limited	*4*	Held by controlled corporations	32,373	9.95%
Asia Vest Partners Limited	*4*	Held by controlled corporations	32,373	9.95%
Mr. Andrew Nan Sherrill	*4*	Held by controlled corporations	32,373	9.95%

Notes:

1. These shares are beneficially owned by Twin Success International Limited. Twin Success International Limited is owned as to 50% by Silver Pacific International Limited and as to 50% by Silver Pacific Development Limited.

2. Silver Pacific International Limited is wholly owned by Mr. Lei Hong Wai.

3. Silver Pacific Development Limited is owned as to 50% by Mr. Cheung Kwok Wai, Elton and as to 50% by Mr. Cheung Kwok Fan.

4. The number of shares held was adjusted for the capital reorganisations of the Company that became effective on 2 May 2008, 23 April 2009 and 9 May 2012.

Substantial Shareholders *(Continued)*

Long positions *(Continued)*

b. *Share options*

Shareholders	Capacity	Number of share options held	Number of underlying shares
Mr. Lei Hong Wai	Beneficial owner	933	933
Mr. Cheung Kwok Wai, Elton	Beneficial owner	1,982,500	1,982,500

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 2012.

Purchase, Sale and Redemption of the Company's Listed Securities

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 2012, except for:

(a) code provision A.2.1 of the Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the six months ended 30 June 2012, Mr. Lei Hong Wai has taken up the roles of the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Lei possesses essential leadership skills and has extensive experience in corporate management and business development. The Board is of the view that currently vesting the roles of the Chairman and the Chief Executive Officer in the same person provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies;

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

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

(c) code provision A.6.7 of the Code requires that independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Cheung Kwok Fan, the non-executive director of the Company, was not able to attend the special general meeting of the Company held on 19 March 2012 due to another business engagement. Mr. Ng Heung Yan, an independent non-executive director of the Company, was not able to attend the annual general meeting of the Company held on 31 May 2012 due to another business engagement.

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 2012.

Review of Financial Information

The audit committee has reviewed the 2012 interim report and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 and agreed to the accounting principles and policies adopted by the Company. In addition, the Company's external auditors, HLB Hodgson Impey Cheng Limited, 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
Eternity Investment Limited
Lei Hong Wai
Chairman

Hong Kong, 29 August 2012