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ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

VERY SUBSTANTIAL ACQUISITION – CONVERSION OF BONUS CONVERTIBLE BONDS OF CHINA STAR ENTERTAINMENT LIMITED

VERY SUBSTANTIAL DISPOSAL – POSSIBLE DISPOSAL OF EQUITY INTEREST IN CHINA STAR ENTERTAINMENT LIMITED AND RESUMPTION OF TRADING

THE CONVERSION

Following the issue of the Bonus CBs to Simple View and Victory Peace on 9 January 2013, no Shareholders' approval has been obtained for exercising the conversion rights attached to the Bonus CBs. The Company intends to seek the Shareholders' approval for the Conversion, which involves the exercise of conversion rights attached to the Bonus CBs in an aggregate principal amount of HK\$6,079,806.76 by Simple View and Victory Peace to convert their principal into 607,980,676 new China Star Shares at an initial conversion price of HK\$0.01 per China Star Share (subject to adjustment).

On the basis of Simple View and Victory Peace exercise the conversion rights attached to the Bonus CBs in full, an aggregate of 607,980,676 new China Star Shares, representing 14.79% of the issued share capital of China Star of 4,110,768,691 China Star Shares as enlarged by the Conversion, will be allotted and issued to the Group and the shareholding of the Group in China Star will increase from 8.68% as at the date of this announcement to 22.18% of the issued share capital of China Star as enlarged by the Conversion. The principal terms of the Bonus CBs are set out in the section headed "Principal terms of the Bonus CBs" in this announcement.

THE DISPOSAL

The Company also intends to seek the Shareholders' approval for the possible disposal of up to 3,828,637,680 Disposable China Star Shares for a period of 12-month from the date on which the Disposal is approved by the Shareholders. The Disposal will be conducted (i) on open market transactions on the Stock Exchange; and/or (ii) by way of block trades by entering into placing agreement(s) with the Placing Agent(s) to be appointed by the Company prior to the placement of the Disposable China Star Shares.

The Disposable China Star Shares represent:

- (a) the 303,990,338 China Star Shares already held by the Group;
- (b) the 2,916,666,666 new China Star Shares to be allotted and issued to the Group upon the exercise of the conversion rights attached to the 8% CBs by the Group; and
- (c) the 607,980,676 new China Star Shares to be allotted and issued to the Group upon the exercise of the conversion rights attached to the Bonus CBs by the Group, if the Conversion is approved by the Shareholders.

If the Conversion is not approved by the Shareholders at the SGM, the maximum number of the Disposable China Star Shares will be 3,220,657,004, which represents approximately 50.17% of the issued share capital of China Star of 6,419,454,681 China Star Shares as enlarged by the allotment and issue of the 2,916,666,666 new China Star Shares pursuant to the exercise of the conversion rights attached to the 8% CBs by the Group.

If the Conversion is approved by the Shareholders at the SGM, the maximum number of the Disposable China Star Shares will be 3,828,637,680, which represents approximately 54.48% of the issued share capital of China Star of 7,027,435,357 China Star Shares as enlarged by the allotment and issue of the 2,916,666,666 new China Star Shares pursuant to the exercise of the conversion rights attached to the 8% CBs by the Group and the allotment and issue of the 607,980,676 new China Star Shares pursuant to the Conversion.

IMPLICATIONS UNDER THE LISTING RULES

As the relevant applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules are more than 100%, the Conversion constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. Accordingly, the Conversion is subject to Shareholders' approval at the SGM.

As the relevant applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules are more than 75%, the Disposal, if effected, constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules. Accordingly, the Disposal is subject to the Shareholders' approval at the SGM.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Conversion and the Disposal. The aforesaid approvals shall be obtained by way of a poll. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Conversion and the Disposal therefore no Shareholder is required to abstain from voting for the resolutions to approve the Conversion and the Disposal at the SGM.

A circular containing, among other things, details of the Conversion and the Disposal and the notice of the SGM are expected to be despatched to the Shareholders on or before 31 May 2013 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Shareholders and investors should note that the Conversion and the Disposal are subject to Shareholders' approvals at the SGM and therefore the Conversion and the Disposal may or may not be effected. As such, Shareholders and investors are urged to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:00 a.m. on 4 February 2013 pending the release of this announcement. The Company has applied for a resumption of trading in the Shares with effect from 9:00 a.m. on 19 February 2013.

Reference is made to the circular of China Star dated 12 December 2012 in relation to the bonus issue of the Bonus Shares and issue of the Bonus CBs on the basis of two Bonus Shares for every one existing China Star Share held by its shareholders with option to elect to receive the Bonus CBs in lieu of all or part of their entitlements to the Bonus Shares. Reference is also made to the announcement of China Star dated 3 January 2013 in relation to the results of the bonus issue of Bonus Shares and election for the Bonus CBs and fulfillment of public float requirement.

As at 6 December 2012, being the record date for the China Star Bonus Issue, Simple View and Victory Peace beneficially owned an aggregate of 303,990,338 China Star Shares and each of Simple View and Victory Peace elected to receive the Bonus CBs in lieu of its entitlements to the Bonus Shares. Upon completion of the China Star Bonus Issue, Simple View and Victory Peace received the Bonus CBs in an aggregate principal amount of HK\$6,079,806.76.

As at the date of this announcement,

- (a) the Group is interested in 303,990,338 China Star Shares, representing 8.68% of the issued share capital of China Star;
- (b) the Group is interested in the Bonus CBs in an aggregate principal amount of HK\$6,079,806.76 carrying rights entitling the holders thereof to convert their principal amount into 607,980,676 new China Star Shares at an initial conversion price of HK\$0.01 per China Star Share (subject to adjustment);
- (c) the Group is interested in the 8% CBs in an aggregate principal amount of HK\$350.00 million carrying rights entitling the holders thereof to convert their principal amount into 2,916,666,666 new China Star Shares at an adjusted conversion price of HK\$0.12 per China Star Share (subject to further adjustment, if required); and
- (d) the Company is interested in the unsecured convertible notes in an aggregate principal amount of HK\$300.00 million to be issued by China Star to the Company, which is subject to the conditions precedent and yet to be completed.

On 4 June 2012, the board of directors of China Star proposed a conditional cash offer. Heung Wah Keung Family Endowment Limited (the controlling shareholder of China Star), the Company, Mr. Lei, Simple View, Victory Peace and Eternity Finance and their respective associates are deemed parties acting in concert. As at the date of this announcement, Mr. Lei is interested in 9,425,652 China Star Shares, representing 0.27% of the issued share capital of China Star, and the Bonus CBs in an aggregate principal amount of HK\$188,513.04 carrying rights entitling the holders thereof to convert their principal amount into 18,851,304 new China Star Shares at an initial conversion price of HK\$0.01 per China Star Share (subject to adjustment).

Save for disclosed above, to the best of the Directors' knowledge, information and belief, have made all reasonable enquiry, China Star is a third party independent of the Company and its connected persons.

THE CONVERSION

Following the issue of the Bonus CBs to Simple View and Victory Peace on 9 January 2013, no Shareholders' approval has been obtained for exercising the conversion rights attached to the Bonus CBs. The Company intends to seek the Shareholders' approval for the Conversion, which involves the exercise of conversion rights attached to the Bonus CBs in an aggregate principal amount of HK\$6,079,806.76 by Simple View and Victory Peace to convert their principal amount into 607,980,676 new China Star Shares at an initial conversion price of HK\$0.01 per China Star Share (subject to adjustment).

On the basis of Simple View and Victory Peace exercise the conversion rights attached to the Bonus CBs in full, an aggregate of 607,980,676 new China Star Shares, representing 14.79% of the issued share capital of China Star of 4,110,768,691 China Star Shares as enlarged by the Conversion, will be allotted and issued to the Group and the shareholding of the Group in China Star will increase from 8.68% as at the date of this announcement to 22.18% of the issued share capital of China Star as enlarged by the Conversion.

Pursuant to the deed poll of the Bonus CBs executed by China Star, the holders of the Bonus CBs shall have the right at any time after the issue of the Bonus CBs to convert the whole or part of the outstanding principal amount of the Bonus CBs PROVIDED THAT any conversion of the Bonus CBs (i) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder(s) of the Bonus CBs which exercised the conversion right and its party(ies) acting in concert as defined under the Takeovers Code; and (ii) will not cause the public float of China Star unable to meet the requirement under Rule 8.08 of the Listing Rules. Accordingly, the Group shall strictly observe the terms and conditions of the Bonus CBs in exercising the conversion rights attached to the Bonus CBs. The principal terms of the Bonus CBs are set out in the section headed "Principal terms of the Bonus CBs" below.

There will be no consideration for the Conversion to the Company.

Condition precedent

The Conversion shall be conditional upon the approved by the Shareholders at the SGM.

The Conversion is not conditional upon the Disposal.

Principal terms of the Bonus CBs

The table below summarises the principal terms of the Bonus CBs, which are extracted from the prospectus of China Star dated 12 December 2012.

| | |
|-----------------------|--|
| Principal amount: | Up to an amount equal to the maximum number of Bonus Shares issuable under the China Star Bonus Issue, multiplied by the nominal value per Bonus Share, in the denomination of HK\$0.01 par value per unit of the Bonus CB. |
| Conversion price: | HK\$0.01 per China Star Share, subject to adjustment in accordance with the deed poll. |
| Mandatory conversion: | On voluntary dissolution, liquidation or winding up of the China Star, the Bonus CBs will be mandatory converted into China Star Shares at the then applicable conversion price. |
| No redemption: | The Bonus CBs will not be subject to redemption. |
| Conversion period: | At any time after the issue of the Bonus CBs, and the conversion date will be deemed to be the 30th Stock Exchange business day following the surrender of the Bonus CBs certificates by the holder(s) of Bonus CB(s) with a notice of conversion and the holder(s) of Bonus CB(s) will be deemed to be the holder(s) of the China Star Shares so converted with effect from the aforesaid conversion date. If and to the extent that the minimum public float requirements in respect of the China Star Shares under the Listing Rules could not be complied with immediately after the purported exercise of the conversion rights of any holder of Bonus CB, such holder shall not be entitled to exercise such conversion rights. |
| Interest: | Zero interest |

Distributions:

The Bonus CBs will have no entitlement to interest but:

- (i) if and whenever China Star shall pay or make any cash dividend or distribution of any kind or any distribution of assets in specie (other than distribution of China Star Shares, debentures or other securities) to its shareholders (the “**Distribution**”), China Star shall, subject to compliance with relevant laws, rules, regulations and requirements in Hong Kong and Bermuda, at the same time pay or distribute to each holder of Bonus CB an amount of cash or other assets the subject matter of the Distribution which is equal to (a) the amount of cash or other assets the subject matter of the Distribution per China Star Share receivable by its shareholders under the Distribution, multiplied by (b) the number of China Star Shares which the holder of Bonus CB would have become a holder of, had such holder of Bonus CB then outstanding been converted on the relevant record date for determining entitlement to the Distribution; or
- (ii) if and whenever China Star shall issue any China Star Shares, debentures or other securities, credited as fully-paid, out of or by way of capitalisation of its profits or reserves, and/or share premium account to its shareholders (the “**Capitalisation Issue**”), China Star shall, subject to compliance with relevant laws, rules, regulations and requirements in Hong Kong and Bermuda, issue to each holder of Bonus CB either, at the option of China Star (a) such number of China Star Shares, debentures or securities which is equal to (1) the number of such China Star Shares, debentures or securities receivable by the shareholders of China Star in respect of each issued China Star Share held by them under the Capitalisation Issue, multiplied by (2) the number of China Star Shares which the holder of Bonus CB would have become a holder of, had the Bonus CBs of such holder of Bonus CBs then outstanding been converted on the relevant record date for determining entitlement to the Capitalisation Issue, or (b) further convertible bonds on the same terms and conditions as the Bonus CBs in such amount which would on conversion thereof entitle the holders of Bonus CB of such convertible bonds to such number of China Star Shares as is equal to (1) the number of China Star Shares receivable by its shareholders in respect of each issued China Star Share held by them under the Capitalisation Issue, multiplied by (2) the number of China Star Shares which the holder of Bonus CB would have become a holder of, had the Bonus CBs of such holder of Bonus CBs then outstanding been converted on the relevant record date for determining entitlement to the Capitalisation Issue.

Transferability: The holder(s) of Bonus CB(s) may only assign or transfer the Bonus CBs to the transferee subject to the consent of China Star.

China Star will promptly notify the Stock Exchange upon becoming aware of any dealings in the Bonus CBs by any connected person of China Star.

Other rights: If and whenever China Star shall offer to issue China Star Shares or other securities by way of rights to its shareholders (the “**Rights Issue**”), China Star shall, subject to compliance with the relevant laws, rules, regulations and requirements in Hong Kong and Bermuda, at the same time offer to each holder of Bonus CBs for subscription either, at the option of China Star (a) such number of China Star Shares or securities which is equal to (i) the number of such China Star Shares or securities offered by China Star to its shareholders in respect of each issued China Star Share held by them under the Rights Issue, multiplied by (ii) the number of China Star Shares which the holder of Bonus CB would have become a holder of, had the Bonus CBs of such holder of Bonus CBs then outstanding been converted on the relevant record date for determining entitlement to the Rights Issue, or (b) further convertible bonds on the same terms and conditions as the Bonus CBs in such amount which would on conversion thereof entitle the holders of Bonus CBs of such convertible bonds to such number of China Star Shares as is equal to (i) the number of China Star Shares offered for subscription by the shareholders of China Star in respect of each issued China Star Share held by the shareholders of China Star under the Rights Issue, multiplied by (ii) the number of China Star Shares which the holders of Bonus CB would have become a holder of, had such Bonus CB holder’s Bonus CBs then outstanding been converted on the relevant record date for determining entitlement to the Rights Issue.

Financial effects of the Conversion

The Bonus CBs of HK\$6,079,806.76 held by the Group are recognised as financial assets in the consolidated financial statements of the Group in accordance with Hong Kong Financial Reporting Standard 9: Financial Instruments. Upon any conversion of the principal amount of the Bonus CBs into new China Star Shares by the Group, the new China Star Shares are accounted for in the Group’s consolidated financial statements using equity method in accordance with Hong Kong Accounting Standard 28: Investments in Associates.

Exercise of the subscription rights attached to listed bonus warrants issued by China Star

On 26 November 2012 (after trading hours of the Stock Exchange), the Board resolved that Simple View be authorised to exercise the subscription rights attached to the listed bonus warrants issued by China Star (warrant code: 1056) in the principal amount of HK\$7.45 million to subscribe for 35,990,338 new China Star Shares at an adjusted subscription price of HK\$0.207 per China Star Share (the “**Subscription**”).

The Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and was completed on 4 December 2012. Upon completion of the Subscription, the shareholding of the Group in China Star increased from 16.34% of the issued share capital of China Star as at 26 November 2012 to 18.14% of the issued share capital of China Star as enlarged by the Subscription. Details of the Subscription have been disclosed in the Company’s announcement dated 26 November 2012.

THE DISPOSAL

The Company also intends to seek the Shareholders’ approval for the possible disposal (the “**Disposal**”) of up to 3,828,637,680 Disposable China Star Shares for a period of 12-month from the date on which the Disposal is approved by the Shareholders. The Disposal will be conducted (i) on open market transactions on the Stock Exchange; and/or (ii) by way of block trades by entering into placing agreement(s) with the Placing Agent(s) to be appointed by the Company prior to the placement of the Disposable China Star Shares. Given that the Disposal has recently been proposed by the Board and the Shareholders’ approval is required for the Disposal, no Placing Agent for block trades has been identified by the Company at this stage.

In deciding to effect the Disposal, the Board will take into account the then market sentiment and the then market prices of the China Star Shares when the Disposal in effect. The Disposal will be effected on the following conditions:

- (a) the Disposal will be conducted on normal commercial terms and will be fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (b) the price of the Disposal will be settled in cash; and
- (c) the selling price of each Disposable China Star Share (the “**Minimum Price**”) will be not less than the higher of (i) 90% of the average closing price of China Star Shares for the 10 consecutive Trading Days (where the trading of the China Star Shares is suspended on any Trading Day for the whole day, the closing price on the day immediately prior to such suspension shall be deemed as the closing price of the China Star Shares on such Trading Day) immediately prior to the day on which the relevant Disposal is effected; and (ii) HK\$0.1419, being the effective acquisition cost for the Disposable China Star Shares of 3,828,637,680.

In case where the Disposal is effected on open market, the identity of the counterparty to the Disposal cannot be ascertained. In case where the Disposal is effected by way of block trades by entering into placing agreement with the Placing Agent(s) to be appointed by the Company, an announcement will be made by the Company to disclose the details of such Disposal.

To keep the Shareholders and the investing public informed on the progress of the Disposal and the conversion of the Bonus CBs and the 8% CBs held by the Group, the Company will publish an announcement at the end of each month, starting from the end of the month on which the Disposal is approved by the Shareholders until all of the Disposable China Star Shares have been disposed of or the last day of the 12-month period from the date on which the Disposal is approved by the Shareholders, whichever is earlier.

Pursuant to the deed poll of the 8% CBs executed by China Star, the holders of the 8% CBs shall have the right at any time after the issue of the 8% CBs to convert the whole or part of the outstanding principal amount of the 8% CBs PROVIDED THAT any conversion of the 8% CBs (i) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder(s) of the 8% CBs which exercised the conversion right and its party(ies) acting in concert as defined under the Takeovers Code; and (ii) will not cause the public float of China Star unable to meet the requirement under Rule 8.08 of the Listing Rules. Accordingly, the Group shall strictly observe the terms and conditions of the 8% CBs in exercising the conversion rights attached to the 8% CBs.

The Disposable China Star Shares

The Disposable China Star Shares represent:

- (a) the 303,990,338 China Star Shares already held by the Group;
- (b) the 2,916,666,666 new China Star Shares to be allotted and issued to the Group upon the exercise of the conversion rights attached to the 8% CBs by the Group; and
- (c) the 607,980,676 new China Star Shares to be allotted and issued to the Group upon the exercise of the conversion rights attached to the Bonus CBs by the Group, if the Conversion is approved by the Shareholders.

If the Conversion is not approved by the Shareholders at the SGM, the maximum number of the Disposable China Star Shares will be 3,220,657,004, which represents approximately 50.17% of the issued share capital of China Star of 6,419,454,681 China Star Shares as enlarged by the allotment and issue of the 2,916,666,666 new China Star Shares pursuant to the exercise of the conversion rights attached to the 8% CBs by the Group.

Based on the current conversion price of the 8% CBs and the historical acquisition cost of the 303,990,338 China Star Shares already held by Simple View and Victory Peace, the effective acquisition cost for the maximum number of Disposable China Star Shares of 3,220,657,004 is HK\$543.45 million or HK\$0.1687 per Disposable China Star Share.

If the Conversion is approved by the Shareholders at the SGM, the maximum number of the Disposable China Star Shares will be 3,828,637,680, which represents approximately 54.48% of the issued share capital of China Star of 7,027,435,357 China Star Shares as enlarged by the allotment and issue of the 2,916,666,666 new China Star Shares pursuant to the exercise of the conversion rights attached to the 8% CBs by the Group and the allotment and issue of the 607,980,676 new China Star Shares pursuant to the Conversion.

As the Bonus CBs were issued to Simple View and Victory Peace pursuant to the China Star Bonus Issue, there is no acquisition cost for the Bonus CBs held by Simple View and Victory Peace. Accordingly, there is no acquisition cost the 607,980,676 new China Star Shares which may fall to be allotted and issued to Simple View and Victory Peace upon the exercise of the conversion rights attached to the Bonus CBs in an aggregate principal amount of HK\$6,079,806.76. Based on the current conversion price of the 8% CBs and the acquisition costs of the 303,990,338 China Star Shares already held by Simple View and Victory Peace, the effective acquisition cost for the maximum number of Disposable China Star Shares of 3,828,637,680 is HK\$543.45 million or HK\$0.1419 per Disposable China Star Share.

Assuming the Conversion is approved by the Shareholders and the maximum number of Disposable China Star Shares of 3,828,637,680 are fully disposed of, the Company will cease to have any shareholding interest in China Star, save for the unsecured convertible notes in an aggregate principal amount of HK\$300.00 million to be issued to the Company by China Star.

If the Conversion is approved by the Shareholders at the SGM, the exercise of the conversion rights attached to the Bonus CBs will take place before the exercise of the conversion rights attached to the 8% CBs.

Condition precedent

The Disposal shall be conditional upon the approval by the Shareholders at the SGM.

In the event that the Disposal is not approved by the Shareholders at the SGM or the Conversion and the Disposal are not approved by the Shareholders at the SGM, the Company is only able to dispose of such number of China Star Shares which constitutes a discloseable transaction of the Company under the Listing Rules.

Financial effects of the Disposal

For illustration purpose only, assuming all of the 3,828,637,680 Disposable China Star Shares had been disposed of at the closing price of HK\$0.213 per China Star Share as quoted on the Stock Exchange immediately prior to the date of this announcement, the Group would record a profit on the Disposal (before expenses) of HK\$0.0711 per Disposable China Star Share, which is the different between the closing price of HK\$0.213 per China Star Share as quoted on the Stock Exchange on

15 February 2013 and HK\$0.1419 per Disposable China Star Share, being the effective acquisition cost for the maximum number of Disposable China Star Shares of 3,828,637,680, or approximately HK\$272.22 million for the entire 3,828,637,680 Disposable China Star Shares. The gross proceeds from the Disposal would be approximately HK\$815.50 million.

EFFECT ON SHAREHOLDING STRUCTURE OF CHINA STAR

The table below shows the shareholding structure of China Star (i) as at the date of this announcement; (ii) assuming 1,060,404,106 new China Star Shares are allotted and issued to the Group upon the exercise of the conversion rights attached to the Bonus CBs and the 8% CBs by the Group; (iii) assuming 607,980,676 new China Star Shares are allotted and issued to the Group upon the exercise of the conversion rights attached to the Bonus CBs by the Group in full; (iv) assuming 2,916,666,666 new China Star Shares are allotted and issued to the Group upon the exercise of the conversion rights attached to the 8% CBs by the Group in full; (v) assuming 3,524,647,342 new China Star Shares are allotted and issued to the Group upon the exercise of the conversion rights attached to the Bonus CBs and the 8% CBs by the Group in full; and (vi) assuming 3,828,637,680 China Star Shares are fully disposed under the Disposal.

| | As at the date of this announcement | | Assuming 1,060,404,106 new China Star Shares are allotted and issued to the Group upon the exercise of the conversion rights attached to the Bonus CBs and the 8% CBs by the Group | | | | Assuming 607,980,676 new China Star Shares are allotted and issued to the Group upon the exercise of the conversion rights attached to the Bonus CBs by the Group in full | | | | Assuming 2,916,666,666 new China Star Shares to be allotted and issued to the Group upon the exercise of the conversion rights attached to the 8% CBs by the Group in full | | | | Assuming 3,524,647,342 new China Star Shares are allotted and issued to the Group upon the exercise of the conversion rights attached to the Bonus CBs and the 8% CBs by the Group in full | | | | Assuming 3,828,637,680 Disposable China Star Shares are fully disposed under the Disposal | |
|--|-------------------------------------|---------------|--|---------------|----------------------|---------------|---|---------------|----------------------|---------------|--|---------------|----------------------|---------------|--|---------------|----------------------|---------------|---|--|
| | China Star Shares | Approx. % | China Star Shares | Approx. % | China Star Shares | Approx. % | China Star Shares | Approx. % | China Star Shares | Approx. % | China Star Shares | Approx. % | China Star Shares | Approx. % | China Star Shares | Approx. % | China Star Shares | Approx. % | | |
| Heung Wah Keung Family Endowment Limited | 2,009,800,613 | 57.38 | 2,009,800,613 | 44.04 | 2,009,800,613 | 48.89 | 2,009,800,613 | 31.31 | 2,009,800,613 | 28.60 | 2,009,800,613 | 28.60 | 2,009,800,613 | 28.60 | 2,009,800,613 | 28.60 | 2,009,800,613 | 28.60 | | |
| Mr. Lei | 9,425,652 | 0.27 | 9,425,652 | 0.21 | 9,425,652 | 0.23 | 9,425,652 | 0.15 | 9,425,652 | 0.14 | 9,425,652 | 0.14 | 9,425,652 | 0.14 | 9,425,652 | 0.14 | 9,425,652 | 0.14 | | |
| Dorest Company Limited | 41,106 | 0.00 | 41,106 | 0.00 | 41,106 | 0.00 | 41,106 | 0.00 | 41,106 | 0.00 | 41,106 | 0.00 | 41,106 | 0.00 | 41,106 | 0.00 | 41,106 | 0.00 | | |
| The Group | 303,990,338 | 8.68 | 1,364,394,444 | 29.90 | 911,971,014 | 22.18 | 3,220,657,004 | 50.17 | 3,828,637,680 | 54.48 | — | — | — | — | — | — | — | — | | |
| Public shareholders | 1,179,530,306 | 33.67 | 1,179,530,306 | 25.85 | 1,179,530,306 | 28.70 | 1,179,530,306 | 18.37 | 1,179,530,306 | 16.78 | 5,008,167,986 | 71.26 | 5,008,167,986 | 71.26 | 5,008,167,986 | 71.26 | 5,008,167,986 | 71.26 | | |
| Total | 3,502,788,015 | 100.00 | 4,563,192,121 | 100.00 | 4,110,768,691 | 100.00 | 6,419,454,681 | 100.00 | 7,027,435,357 | 100.00 | 7,027,435,357 | 100.00 | 7,027,435,357 | 100.00 | 7,027,435,357 | 100.00 | 7,027,435,357 | 100.00 | | |

Notes:

1. Assuming 1,060,404,106 new China Star Shares are allotted and issued to the Group upon the exercise of the conversion rights attached to the Bonus CBs and the 8% CBs by the Group and such conversion of the Bonus CBs and the 8% CBs will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code and China Star will be able to meet the minimum public float requirement under the Listing Rules.
2. For illustration purpose only. Pursuant to the deed poll of the Bonus CBs and 8% CBs executed by China Star, the holders thereof shall have the right at any time after the issue of the Bonus CBs or the 8% CBs (as the case may be) to convert the whole or part of the outstanding principal amount thereof PROVIDED THAT any conversion thereof (i) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder(s) thereof which exercised the conversion right and its party(ies) acting in concert as defined under the Takeovers Code; and (ii) will not cause the public float of China Star unable to meet the requirement under Rule 8.08 of the Listing Rules. Accordingly, the Group shall strictly observe the terms and conditions of the Bonus CBs and the 8% CBs in exercising the conversion rights attached thereto.

FINANCIAL INFORMATION OF THE CHINA STAR GROUP

China Star, an exempted company incorporated in Bermuda with limited liability and the issued China Star Shares are listed on the Main Board of the Stock Exchange. China Star is an investment holding company and its subsidiaries are principally engaged in film production, distribution of film and television drama series, sales of Chinese health products, investing in operations which receive the profit stream from gaming promotion business, property and hotel investment, and property development.

According to the annual report of China Star for the year ended 31 December 2011, China Star had the audited net consolidated assets attributable to owners of China Star of approximately HK\$1,968.59 million as at 31 December 2011. For the year ended 31 December 2011, the audited consolidated losses before and after taxation were approximately HK\$661.53 million and approximately HK\$654.11 million respectively. The audited consolidated loss attributable to owners of China Star for the year ended 31 December 2011 amounted to approximately HK\$683.23 million.

According to the annual report of China Star for the year ended 31 December 2010, China Star had the audited net consolidated assets attributable to owners of China Star of approximately HK\$2,302.78 million as at 31 December 2010. For the year ended 31 December 2010, the audited consolidated profits before and after taxation were approximately HK\$26.22 million and approximately HK\$24.83 million respectively. The audited consolidated loss attributable to owners of China Star for the year ended 31 December 2010 amounted to approximately HK\$8.08 million.

According to the interim report of China Star for the six months ended 30 June 2012, China Star had the unaudited net consolidated assets attributable to owners of China Star of approximately HK\$1,978.71 million as at 30 June 2012. For the six months ended 30 June 2012, the unaudited consolidated profits before and after taxation were approximately HK\$41.83 million and approximately HK\$42.08 million respectively. The unaudited consolidated profit attributable to owners of China Star for the six months ended 30 June 2012 amounted to approximately HK\$2.69 million.

REASONS FOR AND BENEFITS OF THE CONVERSION AND THE DISPOSAL

The Company is an investment holding company and its subsidiaries are principally engaged in distribution of films, sub-licensing of film rights, sales of financial assets, provision of management services to the concierge department of a gaming promoter, property investment and money lending.

On 9 January 2013, China Star issued the Bonus CBs in an aggregate principal amount of HK\$6,079,806.76 to the Group pursuant to the China Star Bonus Issue. As no Shareholders' approval has been obtained for the conversion of the Bonus CBs held by the Group, the Directors consider that the approval of the Conversion by the Shareholders enables the Group to convert the principal amount of the Bonus CBs into new China Star Shares as and when appropriate. Therefore, the Directors consider that the Conversion is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The investments in China Star Shares and the 8% CBs are for the purpose of profit. Given that the size of the Disposable China Star Shares is enormous and Hong Kong equity market is dynamic, the Directors believe that the realisation of any Disposable China Star Shares requires a timely execution and a long period of time. As such, a mandate granted by the Shareholders allows the Directors to act promptly in response to the market conditions and provides a high degree of flexibility to the Group for realising the Disposable China Star Shares. Therefore, the Directors consider that the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Upon completion of the Disposal, the principal businesses of the Group will remain unchanged.

USE OF PROCEEDS FROM THE DISPOSAL

The Company intends to apply the net proceeds from the Disposal to finance any possible property investment project and/or other business investment, including but not limited to the subscription (the "**Second Tranche Subscription**") of the second tranche of convertible bonds of HK\$300.00 million to be issued by China Star pursuant to the conditional subscription agreement dated 21 January 2011 entered into between the Company and China Star. In December 2012, the Group identified a property investment project in Hong Kong. After a preliminary negotiation through a property agent, the Directors found that the offer price of the property investment project exceeded the Group's estimated value. Therefore, negotiation for that property investment property was ceased. Save and except for disclosed above, no such property investment project or other business investment has been identified by the Group as at the date of this announcement. In the event that the Group proceeds to a possible property investment project and/or other business investment, announcements will be made in compliance with the Listing Rules.

Given that the Second Tranche Subscription is subject to the fulfillment of the conditions precedent set out in the conditional subscription agreement dated 21 January 2011, including the availability of sufficient fund by the Company, the Directors shall give priority to the possible property investment project and/or other business investment over the Second Tranche Subscription in applying the net proceeds from the Disposal.

IMPLICATIONS UNDER THE LISTING RULES

As the relevant applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules are more than 100%, the Conversion constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. Accordingly, the Conversion is subject to Shareholders' approval at the SGM.

As the relevant applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules are more than 75%, the Disposal, if effected, constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules. Accordingly, the Disposal is subject to the Shareholders' approval at the SGM.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Conversion and the Disposal. The aforesaid approvals shall be obtained by way of a poll. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Conversion and the Disposal therefore no Shareholder is required to abstain from voting for the resolutions to approve the Conversion and the Disposal at the SGM.

A circular containing, among other things, details of the Conversion and the Disposal and the notice of the SGM are expected to be despatched to the Shareholders on or before 31 May 2013 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Shareholders and investors should note that the Conversion and the Disposal are subject to Shareholders' approvals at the SGM and therefore the Conversion and the Disposal may or may not be effected. As such, Shareholders and investors are urged to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:00 a.m. on 4 February 2013 pending the release of this announcement. The Company has applied for a resumption of trading in the Shares with effect from 9:00 a.m. on 19 February 2013.

DEFINITIONS

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

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| “8% CBs” | the 8% convertible bonds in an aggregate principal amount of HK\$350.00 million issued by China Star to Eternity Finance on 7 July 2011 due on 5th anniversary of the date of its issue |
| “acting in concert” | has the meaning ascribed to it under the Takeovers Code |
| “associate(s)” | has the meaning ascribed to it in the Listing Rules |
| “Board” | the board of the Directors |
| “Bonus CBs” | the zero coupon convertible bonds carrying rights entitling the holders thereof to convert their principal amount into new China Star Shares at an initial conversion price of HK\$0.01 per China Star Share (subject to adjustments) issued by China Star to its shareholders pursuant to the China Star Bonus Issue |
| “Bonus Shares” | the new China Star Shares issued by China Star to its shareholders pursuant to the China Star Bonus Issue |
| “China Star” | China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the issued Shares are listed on the Main Board of the Stock Exchange (stock code: 326) |
| “China Star Bonus Issue” | the issue of Bonus Shares by China Star on the basis of two (2) Bonus Shares for every one (1) existing China Star Share held by the then qualifying shareholders of China Star with the option to elect to receive the Bonus CBs in lieu of all or part of their entitlements to the Bonus Shares |
| “China Star Group” | China Star and its subsidiaries |
| “China Star Share(s)” | the ordinary share(s) of HK\$0.01 each in the share capital of China Star |
| “Company” | Eternity Investment Limited, a company incorporated in Bermuda with limited liability and the Shares are listed on the Main Board of the Stock Exchange (stock code: 764) |

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| “connected person” | has the meaning as ascribed to it to the Listing Rules |
| “Conversion” | the exercise of the conversion rights attached to the Bonus CBs in an aggregate principal amount of HK\$6,079,806.76 by Simple View and Victory Peace to convert their principal amount into 607,980,676 new China Star Shares at an initial conversion price of HK\$0.01 per China Star Share (subject to adjustment) |
| “Director(s)” | the director(s) of the Company |
| “Disposable China Star Shares” | up to 3,828,637,680 China Star Shares owned and to be owned by the Group |
| “Eternity Finance” | Eternity Finance Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Third Party(ies)” | any person independent of the Company or China Star and its connected persons |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Main Board” | Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange |
| “Mr. Lei” | Mr. Lei Hong Wai, the Chairman of the Board, an executive Director and a substantial Shareholder by virtue of his 50% shareholding interest in Twin Success International Limited |
| “Placing Agent” | reputable investment bank(s) or brokerage firm(s) licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry on the regulated activity of dealing in securities |

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| “SGM” | the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Conversion and the Disposal |
| “Share(s)” | the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company |
| “Shareholder(s)” | the holder(s) of the Shares |
| “Simple View” | Simple View Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |
| “Trading Days” | a day on which the Stock Exchange is open for general trading of securities (and whether or not the China Star Shares are suspended from trading for all or part of such day) |
| “Victory Peace” | Victory Peace Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company |
| “%” | per cent |

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

Hong Kong, 18 February 2013

As at the date of this announcement, the Board comprises of three executive Directors, namely, Mr. Lei Hong Wai, Mr. Cheung Kwok Wai, Elton and Mr. Chan Kin Wah, Billy; one non-executive Director, namely, Mr. Cheung Kwok Fan; and three independent non-executive Directors, namely, Mr. Wan Shing Chi, Mr. Ng Heung Yan and Mr. Wong Tak Chuen.