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**ETERNITY INVESTMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 764)**

**PLACING OF 1,136,363,636 EXISTING SHARES  
IN THE ISSUED SHARE CAPITAL OF  
CHINA STAR ENTERTAINMENT LIMITED**

**Placing Agent**



**KINGSTON SECURITIES LTD.**

On 3 October 2013, after trading hours of the Stock Exchange, the Placing Agent and Eternity Finance entered into the Placing Agreement. Pursuant to the Placing Agreement, Eternity Finance has conditionally agreed to place, through the Placing Agent, 1,136,363,636 China Star Placing Shares, on a best effort basis, to Placees who and whose ultimate beneficial owners are third parties independent of the Company or China Star and their respective connected persons at a price of HK\$0.135 per China Star Placing Share.

The Placing Price of HK\$0.135 represents (i) the closing price of HK\$0.135 per China Star Share on the last trading day prior to the date of the Placing Agreement; (ii) a premium of approximately 0.60% over the average closing price of HK\$0.1342 per China Star Share for the last five consecutive trading days prior to the date of the Placing Agreement; and (iii) a premium of approximately 0.37% over the closing price of HK\$0.1345 per China Star Share for the last ten consecutive trading days prior to the date of the Placing Agreement.

The 1,136,363,636 China Star Placing Shares represent approximately 17.30% of the issued share capital of China Star of 6,567,309,145 China Star Shares as at the date of this announcement.

The Placing is conditional upon, among other things, (a) the warranties given by Eternity Finance remaining true and accurate in all material respects; and (b) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure event.

**Shareholders and potential investors are reminded that the Placing is subject to the satisfaction of the conditions precedent as set out the section headed “Condition of the Placing” and the Placing Agent not having terminated the Placing Agreement in accordance with the terms thereunder. Accordingly, the Placing may or may not be completed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

References are made to announcement of the Company dated 18 February 2013, the circular (the “**Circular**”) of the Company dated 11 June 2013 and the poll results of the Company dated 28 June 2013 in relation to, among others, the Disposal. As stated in the Circular, the Company will make an announcement to disclose the details of the disposal of China Star Shares in case where the Disposal is effected by way of block trade by entering into placing agreement. Shareholders should refer to the Circular for details.

On 2 October 2013, Eternity Finance converted the 8% CBs with the principal amount of HK\$125.00 million into 1,136,363,636 new China Star Shares at an adjusted conversion price of HK\$0.11 per China Star Share. As at the date of this announcement,

- (a) Eternity Finance is interested in 1,136,363,636 China Star Shares;
- (b) Eternity Finance is interested in the 8% CBs in the aggregate principal amount of HK\$225.00 million carrying rights entitling the holders thereof to convert their principal amount into 2,045,454,545 new China Star Shares at an adjusted conversion price of HK\$0.11 per China Star Share (subject to further adjustment, if required); and
- (c) the Company is interested in the unsecured convertible bonds in the 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 3 October 2013, after trading hours of the Stock Exchange, the Placing Agent and Eternity Finance entered into the Placing Agreement. Pursuant to the Placing Agreement, Eternity Finance has conditionally agreed to place, through the Placing Agent, 1,136,363,636 China Star Placing Shares, on a best effort basis, to the Placees who and whose ultimate beneficial owners are third parties independent of the Company or China Star and their respective connected persons at a price of HK\$0.135 per China Star Placing Share.

## THE PLACING

The principal terms of the Placing Agreement is summarised below:

Date: 3 October 2013

Parties involved: The Placing Agent and Eternity Finance

### Placing Agent

The Placing Agent and its ultimate beneficial owners are third parties independent of the Company or China Star and their respective connected persons. As at the date of this announcement, the Placing Agent is interested in one Share and 27 China Star Shares.

### Placees

The Placing Agent has conditionally agreed to place the 1,136,363,636 China Star Placing Shares on a best effort basis, to the Placees who and whose ultimate beneficial owners are third parties independent of the Company or China Star and their respective connected persons.

None of the Placees will become a substantial shareholder (as defined in the Listing Rules) of China Star upon completion of the Placing.

### Placing Price

The Placing Price of HK\$0.135 represents (i) the closing price of HK\$0.135 per China Star Share on the last trading day prior to the date of the Placing Agreement; (ii) a premium of approximately 0.60% over the average closing price of HK\$0.1342 per China Star Share for the last five consecutive trading days prior to the date of the Placing Agreement; and (iii) a premium of approximately 0.37% over the closing price of HK\$0.1345 per China Star Share for the last ten consecutive trading days prior to the date of the Placing Agreement.

The Placing Price was determined with reference to the prevailing market price of China Star Shares and the following conditions of the Disposal as set out on pages 12 to 13 of the Circular:

- (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 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 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 China Star Shares on such trading day) immediately prior to the day on which the relevant Disposal is effected; and (ii) HK\$0.1559, being the effective acquisition cost of each China Star Share, if the Conversion is not approved by the Shareholders or HK\$0.13275, being the effective acquisition cost of each China Star Shares, if the Conversion is approved by the Shareholders.

Given that the proceeds of the Placing are settled in cash and the Placing Price exceeds the Minimum Price, the Directors (including the independent non-executive Directors) consider that the terms of the Placing are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **China Star Placing Shares**

The 1,136,363,636 China Star Placing Shares represent approximately 17.30% of the issued share capital of China Star of 6,567,309,145 China Star Shares as at the date of this announcement.

### **Condition of the Placing**

Completion of the Placing is conditional upon the following conditions being fulfilled and remaining fulfilled or waived by the Placing Agent as at the Placing Completion Date:

- (a) the warranties given by Eternity Finance remaining true and accurate in all material respects; and
- (b) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure event.

If any of the above conditions have not been satisfied (or, as the case may be, waived by the Placing Agent) on or before 1 November 2013 or such other date as Eternity Finance and the Placing Agent shall agree, the Placing Agreement shall cease and determine and none of the parties shall have any obligations and liabilities under the Placing Agreement save for any antecedent breaches of the terms as set out in the Placing Agreement.

### **Termination of the Placing**

The Placing may be terminated by the Placing Agent prior to 10:00 a.m. on Placing Completion Date, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by the following force majeure events:

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the China Star Group; or

- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the China Star Group as a whole or adversely prejudices the success of the placing of the China Star Placing Shares to the Placee(s) or otherwise makes it inexpedient or inadvisable for Eternity Finance or the Placing Agent to proceed with the Placing; or
- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the China Star Placing Shares to the Placee(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for Eternity Finance or the Placing Agent to proceed with the Placing.

## **REASONS FOR THE PLACING AND USE OF PROCEEDS**

The Placing is made pursuant to the 12-month mandate granted by the Shareholders at the special general meeting of the Company held on 28 June 2013. Accordingly, the Board considers that entering into the Placing Agreement is in the interest of the Company and the Shareholders as a whole.

The net proceeds from the Placing will be approximately HK\$152.09 million. The net proceeds per China Star Placing Share is HK\$0.13384. As stated in the Circular, the net proceeds from the Placing are intended to apply for financing any possible property investment project and/or other business investment, including but not limited to the 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.

## **FINANCIAL EFFECTS OF THE PLACING**

Upon completion of the Placing, a loss on disposal of approximately HK\$1.32 million, which is the difference between the net proceeds per China Star Placing Share of HK\$0.13384 and the closing price of HK\$0.135 per China Star on 2 October 2013, being the fair value of each China Star Placing Share immediately prior to the date of the Placing Agreement, multiplied by 1,136,363,636 China Star Placing Shares, is expected to be recognised by the Group.

## EFFECTS ON SHAREHOLDING STRUCTURE OF CHINA STAR

To the best knowledge and information of the Directors, the shareholding structure of China Star (i) as at the date of this announcement; (ii) upon completion of the Placing; and (iii) assuming full conversion of the 8% CBs held by the Group into China Star Shares in full are set out below:

China Star Shareholders	As at the date of this announcement		Upon completion of the Placing		Assuming full conversion of the 8% CBs held by the Group (Note 2)	
	China Star Shares	Approximate %	China Star Shares	Approximate %	China Star Shares	Approximate %
Heung Wah Keung Family Endowment Limited	3,329,401,839	50.70	3,329,401,839	50.70	3,329,401,839	38.66
Mr. Lei Hong Wai (Note 1)	9,425,652	0.14	9,425,652	0.14	9,425,652	0.11
Dorest Company Limited	41,106	0.01	41,106	0.01	41,106	0.01
The Group	1,136,363,636	17.30	—	—	2,045,454,545	23.75
Placees	—	—	1,136,363,636	17.30	1,136,363,636	13.19
Public Shareholders (Note 3)	2,092,076,912	31.85	2,092,076,912	31.85	2,092,076,912	24.28
<b>Total</b>	<b>6,567,309,145</b>	<b>100.00</b>	<b>6,567,309,145</b>	<b>100.00</b>	<b>8,612,763,690</b>	<b>100.00</b>

Notes:

1. 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.
2. For illustration purpose only. Pursuant to the deed poll of the 8% CBs executed by China Star, the holders thereof 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 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 8% CBs in exercising the conversion rights attaching thereto.
3. Certain Placees may be the existing shareholders of China Star (holding less than 5% of the existing issued share capital of China Star as at the date of the Placing Agreement). The existing shareholdings of such Placees, if any, are included under "Public Shareholders".

## GENERAL

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

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.

## LISTING RULES IMPLICATION

As the Disposal was duly approved by the Shareholders at the special general meeting of the Company held on 28 June 2013 and the Placing is made pursuant to the 12-month mandate granted by the Shareholders in the special general meeting of the Company held on 28 June 2013, the Placing is only subject to the announcement requirement as set out in the Circular.

**Shareholders and potential investors are reminded that the Placing is subject to the satisfaction of the conditions precedent as set out the section headed “Condition of the Placing” and the Placing Agent not having terminated the Placing Agreement in accordance with the terms thereunder. Accordingly, the Placing may or may not be completed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context otherwise required, the following terms and expressions shall have the following meanings when used herein:

“8% CBs”	the 8% convertible bonds in the 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 as defined under the Listing Rules
“Board”	the board of 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 adjustment) issued by China Star to its shareholders

“China Star”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the issued China Star Shares are listed on the Main Board of the Stock Exchange (stock code: 326)
“China Star Group”	China Star and its subsidiaries
“China Star Placing Shares”	1,136,363,636 existing issued China Star Shares beneficially owned by Eternity Finance and to be placed by the Placing Agent pursuant to the Placing Agreement
“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 issued Shares are listed on the Main Board of the Stock Exchange (stock code: 764)
“connected person(s)”	has the same meaning as defined under the Listing Rules
“Conversion”	the exercise of the conversion rights attaching to the Bonus CBs in the aggregate principal amount of HK\$6,079,806.76 by Simple View Investment Limited and Victory Peace Holdings Limited, both of them are indirect wholly owned subsidiaries of the Company, 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
“Disposal”	the possible disposal of up to 4,093,789,195 China Star Shares owned and to be owned by the Group for a period of 12-month from the date on which the Disposal is approved by the Shareholders at the special general meeting of the Company held on 28 June 2013
“Eternity Finance”	Eternity Finance Group Limited, a company incorporated in British Virgin Islands with limited liability and an indirect wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange



“Placee(s)”	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the offer by way of a private placing of 1,136,363,636 China Star Placing Shares to selected Placees procured by the Placing Agent pursuant to the terms of the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry out business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Completion Date”	on or before 4:00 p.m. on the fourth Business Day following the completion of the Placing Agreement, or such other date as the Company and the Placing Agent shall agree
“Placing Price”	HK\$0.135 per China Star Placing Share
“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 Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 3 October 2013

*As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Lei Hong Wai, Mr. Cheung Kwok Wai, Elton and Mr. Chan Kin Wah, Billy; 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.*