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ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

MAJOR TRANSACTION IN RELATION TO THE POSSIBLE DISPOSAL OF SHARES IN CHINA STAR ENTERTAINMENT LIMITED

THE DISPOSAL MANDATE

As at the date of this announcement, the Group held 1,723,854,545 China Star Shares, representing approximately 11.94% of the total China Star Shares in issue.

The Directors intend to obtain the Disposal Mandate from the Shareholders for the Disposal of up to 1,723,854,545 China Star Shares held by the Group.

The Disposal Mandate shall be conditional upon the approval by the Shareholders at the SGM. For the details of the Disposal Mandate, please refer to the section headed “THE DISPOSAL MANDATE” of this announcement.

LISTING RULES IMPLICATIONS

The applicable percentage ratios (as defined in the Listing Rules) for the Disposal Mandate are more than 25% but less than 75% and therefore the Disposal Mandate constitutes a major transaction of the Company and is subject to the announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

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

A circular containing, among other things, further details of the Disposal and the grant of the Disposal Mandate, together with a notice convening the SGM will be dispatched to the Shareholders on or before 28 November 2014.

Shareholders and investors should note that (i) the grant of the Disposal Mandate is subject to Shareholders' approval at the SGM and therefore the Disposal may not be proceeded; and (ii) there is no assurance that the Company will proceed with the Disposal after the grant of the Disposal Mandate as the Disposal is subject to the conditions as set out under the paragraph headed "Manner of the Disposal" of this announcement. As such, Shareholders and investors are urged to exercise caution when dealing in the Shares.

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Period of the Disposal Mandate

12 months from the date on which the Disposal Mandate is approved by the Shareholders at the SGM.

Maximum number of China Star Shares to be disposed of under the Disposal Mandate

Up to 1,723,854,545 China Star Shares held by the Group.

Manner of the Disposal

The Disposal under the Disposal Mandate 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 China Star Shares held by the Group.

In deciding to effect the Disposal, the Directors will take into account the current market sentiment and the prevailing market prices of the China Star Shares. 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 China Star Share 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 Trading 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 Trading Day on which the relevant Disposal is effected; and (ii) the Effective Acquisition Cost of HK\$0.13275.

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 entering into private agreement(s) with Independent Third Party(ies) or by block trade(s) by way of placing through 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.

Monthly reporting of the Disposal

To keep the Shareholders and the investing public informed on the progress of the Disposal, the Company will publish an announcement within five Trading Days after the end of each month, starting from the month on which the Disposal Mandate is approved by the Shareholders until all of the 1,723,854,545 China Star Shares held by the Group have been disposed of or the last day of the 12-month period from the date on which the Disposal Mandate is approved by the Shareholders, whichever is earlier.

Condition precedent

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

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

Capital restructuring of China Star

If and when there shall be any alteration to the nominal value of China Star Shares as a result of consolidation, subdivision or reclassification, or issue of new China Star Shares to the Group by way of capitalization of profits or reserves during the 12-month period of the Disposal Mandate, the number of China Star Shares to be disposed of under the Disposal Mandate shall be adjusted accordingly.

Financial effects of the Disposal

On 28 March 2014, the Group converted the remaining HK\$225,000,000 of the 8% convertible notes issued by China Star into 2,045,454,545 new China Star Shares at the adjusted conversion price of HK\$0.11 per China Star Share and recognised a gain of HK\$28,461,000 arising on change in fair value upon conversion of convertible notes receivables. During the six months ended 30 June 2014, the Group disposed of 321,600,000 China Star Shares on the Stock Exchange. At 30 June 2014, there were 1,723,854,545 China Star Shares remaining on hand. As the price of China Star Shares decreased from HK\$0.151 on 28 March 2014, being the date of conversion of the remaining 8% convertible notes issued by China Star, to HK\$0.118 on 30 June 2014, a loss of HK\$56,887,000 arising on change in fair value of financial assets at fair value through profit or loss was recognised. During the period from 1 July 2014 to the date of this announcement, the Group did not dispose of any China Star Shares. The relevant unrealised net loss arising on change in fair value in respect of the 1,723,854,545 China Star Shares recognised in the six months ended 30 June 2014 is as follows:

	<i>HK\$'000</i>
Gain arising on change in fair value upon conversion of convertible notes receivables	23,986
Loss arising on change in fair value of financial assets at fair value through profit or loss	<u>(56,887)</u>
Unrealised net loss arising on change in fair value	<u><u>(32,901)</u></u>

As the 90% of the average closing price of China Star Shares for the 10 consecutive Trading Days immediately prior to the date of this announcement is HK\$0.1053, which is less than the Effective Acquisition Cost of HK\$0.13275, the Effective Acquisition Cost of HK\$0.13275 is used for illustrating the financial effects of the Disposal. On the basis that all of the 1,723,854,545 China Star Shares are disposed of at the Effective Acquisition Cost of HK\$0.13275, the Group will record a gain on the Disposal (before expenses) of approximately HK\$25,427,000 which is the difference between the Effective Acquisition Cost of HK\$0.13275 and HK\$0.118, being the fair value of each China Star Share as at 30 June 2014. The gross proceeds from the Disposal will be approximately HK\$228,842,000.

INFORMATION ON THE COMPANY

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, property investment, money lending and design and sale of jewelry products.

INFORMATION ON CHINA STAR

China Star is a company incorporated in Bermuda with limited liability and the issued China Star Shares are listed on the Main Board of the Stock Exchange under stock code: 326. China Star is an investment holding company and its subsidiaries are principally engaged in film production, distribution of film and television drama series, investing in operations which receive the profit stream from gaming promotion business, property and hotel investment, and property development.

Set out below is the audited consolidated financial information of the China Star Group for the two years ended 31 December 2012 and 2013 as extracted from the annual reports of China Star:

	For the year ended 31 December	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	1,404,629	1,464,979
Profit before taxation	90,784	93,991
Profit after taxation	91,339	94,526

The audited consolidated net assets value of the China Star Group as at 31 December 2013 is HK\$1,634,714,000.

REASONS FOR THE DISPOSAL MANDATE AND USE OF PROCEEDS FROM THE DISPOSAL

The Group's investment in China Star Shares is for the purpose of profit. It is the intention of the Company to dispose of the Group's investment in China Star Shares on open market from time to time in order to make profit. However, a disposal (or series of disposals) of the entire 1,723,854,545 China Star Shares constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and requires Shareholders' approval in a general meeting of the Company.

Given the volatility of the stock market, disposing of China Star Shares at the best possible price requires prompt actions at the right timing and it is not practicable to seek Shareholders' approval for each disposal of such number of China Star Shares. Therefore, the Company intends to obtain the Disposal Mandate from the Shareholders in order to enable the Group to dispose of its China Star Shares in an effective and efficient manner. The Directors are of the view that the Disposal Mandate provides flexibility with the Group during the 12-month period to act promptly, effectively and efficiently to dispose of its investment in China Star Shares at the appropriate time and at the appropriate prices in order to maximize the return to the Group. As such, the Directors consider that the Disposal Mandate is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The net proceeds from the Disposal are intended to be used for general working capital of the Group.

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The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the grant of the Disposal Mandate. The aforesaid approval 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 Disposal Mandate; therefore, no Shareholder is required to abstain from voting for the resolution to approve the Disposal Mandate at the SGM.

A circular containing, among other things, further details of the Disposal and the grant of the Disposal Mandate, together with a notice convening the SGM will be dispatched to the Shareholders on or before 28 November 2014.

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DEFINITIONS

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

"Board"	the board of Directors
"China Star"	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the China Star Shares are listed on the Main Board of the Stock Exchange under stock code: 326
"China Star Group"	China Star and its subsidiaries
"China Star Share(s)"	the ordinary share(s) of HK\$0.01 each in the issued 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 under stock code: 764

“connected persons”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of up to 1,723,854,545 China Star Shares owned by the Group under the Disposal Mandate
“Disposal Mandate”	the 12-month mandate to be granted by the Shareholders to the Directors for the Disposal
“Effective Acquisition Cost”	HK\$0.13275, being the effective acquisition cost per China Star Share as disclosed on page 17 of the Company’s circular dated 11 June 2013
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) independent of the Company, China Star and their respective connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing Agent(s)”	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
“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)
“SGM”	a special general meeting of the Company to be convened and held to consider, and if thought fit, to approve, among other things, the Disposal Mandate
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trading Day(s)”	a day on which the Stock Exchange is open for trading of securities (and whether or not China Star Shares are suspended from trading for whole or part of such day)

“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, 7 November 2014

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