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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 CULTURAL MEDIA GROUP LIMITED**

#### **THE DISPOSAL MANDATE**

As at the date of this announcement, the Group held 146,640,000 China Star Cultural Shares, representing approximately 15.94% of the total China Star Cultural Shares in issue.

The Directors propose to obtain the Disposal Mandate from the Shareholders for the possible disposal of up to 146,640,000 China Star Cultural 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**

As one of the applicable percentage ratios (as defined in the Listing Rules) for the Disposal Mandate is more than 25% but less than 75%, 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 30 December 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.**

## **THE DISPOSAL MANDATE**

As at the date of this announcement, the Group held 146,640,000 China Star Cultural Shares, representing approximately 15.94% of the total China Star Cultural in issue.

The Directors propose to obtain the Disposal Mandate from the Shareholders for the possible disposal of up to 146,640,000 China Star Cultural Shares held by the Group.

### **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 Cultural Shares to be disposed of under the Disposal Mandate**

Up to 146,640,000 China Star Cultural 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 Cultural 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 Cultural 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 Cultural Share will be not less than the higher of (i) the average closing price of China Star Cultural Shares for the 10 consecutive Trading Days (where the trading of the China Star Cultural 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 Cultural Shares on such Trading Day) immediately prior to the Trading Day on which the relevant Disposal is effected (the “**Benchmark Price**”); and (ii) the Acquisition Cost of HK\$0.35.

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 146,640,000 China Star Cultural 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 Cultural Shares which constitutes a discloseable transaction of the Company under the Listing Rules.

### **Capital restructuring of China Star Cultural**

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

## **Financial effects of the Disposal**

On 15 April 2014, China Star Cultural allotted and issued 100,000,000 new China Star Cultural Shares by way of placing of new shares under general mandate to not less than six placees and the Group's interest in China Star Cultural was diluted from 29.00% to 24.21%. On 17 June 2014, China Star Cultural allotted and issued another 300,000,000 new China Star Cultural Shares by way of placing of new shares under specific mandate to not less than six placees and the Group's interest in China Star Cultural was further diluted from 24.21% to 16.19%. As a result, China Star Cultural ceased to be an associated company of the Group on 17 June 2014 and the Group was deemed to dispose of a 12.81% shareholding interest in China Star Cultural. Accordingly, a gain on deemed disposal of an associate of HK\$7,669,000 was recognised by the Group in the six months ended 30 June 2014 and the 146,640,000 China Star Cultural Shares held by the Group were reclassified from interests in associates to available-for-sale financial assets on 17 June 2014.

As the average closing price of China Star Cultural Shares for the 10 consecutive Trading Days immediately prior to the date of this announcement is HK\$0.70, which is higher than the Acquisition Cost of HK\$0.35, the Benchmark Price of HK\$0.70 is used for illustrating the financial effects of the Disposal. On the basis that all of the 146,640,000 China Star Cultural Shares are disposed of at the Benchmark Price of HK\$0.70, the Group will record a gain on the Disposal (before expenses) of approximately HK\$49,858,000 which is the difference between the Benchmark Price of HK\$0.70 and HK\$0.36, being the fair value of each China Star Cultural Share on 17 June 2014 (the date on which China Star Cultural ceased to be an associate company of the Group). The gross proceeds from the Disposal will be approximately HK\$102,648,000.

## **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, design and sale of jewelry products, and development, distribution and marketing of personal care treatments, products and services.

## **INFORMATION ON CHINA STAR CULTURAL**

China Star Cultural is a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued China Star Cultural Shares are listed on GEM under stock code: 8172. China Star Cultural is an investment holding company and its subsidiaries and joint ventures are principally engaged in the provision of artist management services, film production and distribution, and sale of financial assets.

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

	<b>For the year ended 31</b>	
	<b>December</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	15,698	26,547
Loss before and after taxation from continuing operations	12,829	12,008
Loss from discontinued operation	—	3,092
Loss for the year	12,829	15,100

The audited consolidated net assets value of the China Star Cultural Group as at 31 December 2013 is HK\$74,202,000.

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

On 3 August 2012, the Group acquired the 146,640,000 China Star Cultural Shares, representing approximately 29.00% of the then issued share capital of China Star Cultural, from Culture Landmark Investment Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange under stock code: 674, at a consideration of HK\$51,324,000 (equivalent to HK\$0.35 per China Star Cultural Share).

The investment in the 146,640,000 China Star Cultural Shares was for the purpose of forming a strategic alliance with Culture Landmark Investment Limited and China Star Cultural in order to secure a stable supply of films from China Star Cultural for revitalising the Group's film distribution business. However, such investment does not produce the intended result and Culture Landmark Investment Limited is no longer a shareholder of China Star Cultural. Accordingly, the Company intends to dispose of the 146,640,000 China Star Cultural Shares on open market from time to time in order to realise the Group's investment in China Star Cultural. However, a disposal (or series of disposals) of the entire 146,640,000 China Star Cultural 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 Cultural 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 Cultural 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 Cultural 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 China Star Cultural Shares at the appropriate time and at the appropriate prices in order to maximise 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.

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios (as defined in the Listing Rules) for the Disposal Mandate is more than 25% but less than 75%, 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 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 30 December 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 the announcement. As such, Shareholders and investors are urged to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“Acquisition Cost”	HK\$0.35, being the acquisition cost per China Star Cultural Share as disclosed on page 5 of the Company’s circular dated 11 July 2012
“Board”	the board of Directors
“China Star Cultural”	China Star Cultural Media Group Limited (formerly known as China Media and Films Holdings Limited), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the China Star Cultural Shares are listed on GEM under stock code: 8172
“China Star Cultural Group”	China Star Cultural and its subsidiaries
“China Star Cultural Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of China Star Cultural
“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 possible disposal of up to 146,640,000 China Star Cultural 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
“GEM”	Growth Enterprise Market of the Stock Exchange
“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 Cultural 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
“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
“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
“Trading Day(s)”	a day on which the Stock Exchange is open for trading of securities (and whether or not China Star Cultural 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, 5 December 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.*