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**年代
ERA**

ERA INFORMATION & ENTERTAINMENT LIMITED

年代資訊影視有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8043)

**ISSUE OF CONVERTIBLE BONDS
AND
RESUMPTION OF TRADING**

Financial Adviser

BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

ISSUE OF CONVERTIBLE BONDS

The Company entered into the Subscription Agreements with each of the Subscribers on 14 July 2008 (after trading hours), pursuant to which the Company agreed to issue and the Subscribers agreed to subscribe for the Convertible Bonds in an aggregate principal amount of HK\$21,726,600 convertible into the Shares at the initial conversion price of HK\$0.35 per Share (subject to adjustments).

Assuming that the conversion rights attaching to all Convertible Bonds are exercised in full at the initial Conversion Price, an aggregate of 62,076,000 Conversion Shares will be issued which represents approximately 16.17% of the issued share capital of the Company as at the date of this announcement and approximately 13.92% of the issued share capital of the Company as enlarged by the allotment and issue of full conversion of the Convertible Bonds. The Conversion Shares will rank pari passu in all respects with the existing Shares in issue.

Completion of the Subscription Agreements is conditional upon the fulfillment of the conditions set out in the paragraph headed “Conditions Precedent” under the section headed “The Subscription Agreements” below.

GENERAL

Trading in the Shares on GEM was suspended from 9:30 a.m. on 15 July 2008 at the request of the Company pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on GEM from 9:30 a.m. on 17 July 2008.

THE SUBSCRIPTION AGREEMENTS

Date: 14 July 2008 (after trading hours)

Issuer: The Company

Subscribers

Subscriber I: Ancient Castle Group Limited, in relation to the subscription of convertible bond in the principal amount of HK\$9,800,000 (the “Convertible Bond I”)

Subscriber II: Power Castle Development Ltd., in relation to the subscription of convertible bond in the principal amount of HK\$7,175,000 (the “Convertible Bond II”)

Subscriber III: Girvan Holdings Limited, in relation to the subscription of convertible bond in the principal amount of HK\$3,850,000 (the “Convertible Bond III”)

Subscriber IV: Pacific Pride Limited, in relation to the subscription of convertible bond in the principal amount of HK\$501,200 (the “Convertible Bond IV”)

Subscriber V: JDFM Investments Limited, in relation to the subscription of convertible bond in the principal amount of HK\$400,400 (the “Convertible Bond V”)

Save for the identity of each of the Subscribers and the principal amounts of each of the Convertible Bonds, the principle terms of the Subscription Agreements are identical.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, (i) the Subscriber I is the Shareholder which holds approximately 5.40% of the issued share capital of the Company as at the date of this announcement and (ii) each of the Subscribers and its ultimate beneficial owners are not a connected person of the Company and are third parties independent of and not connected with the connected persons of the Company and it is not acting in concert with any of the connected person(s) and each other.

Issue Size

The aggregate principal amount of all Convertible Bonds is HK\$21,726,600.

Conditions Precedent

Completion of the Subscription Agreements is conditional upon:

- (a) trading in the Shares on the GEM not being suspended for any single period of more than ten Stock Exchange trading days (excluding any suspension for the purpose of clearance by the Stock Exchange and/or the Securities and Futures Commission of any announcement or circular to the Shareholders relating to the issue of the Convertible Bonds);
- (b) the GEM Listing Committee having granted approval (either unconditionally or subject only to conditions to which neither the Company nor each of the Subscribers shall reasonably object) of the listing of, and permission to deal in, all the Shares falling to be issued on the exercise of the conversion rights to be attached to the Convertible Bonds; and
- (c) if required, the Stock Exchange or any relevant regulatory authorities shall have approved and not withdrawn approval for the issue of all the Shares falling to be issued on the exercise of the conversion rights to be attached to the Convertible Bonds and the transactions contemplated hereunder (either unconditionally or subject only to conditions to which neither the Company nor each of the Subscribers shall reasonably object and the fulfilment of such conditions).

If the above conditions precedent are not fulfilled on or before 5:00 p.m. on 15 September 2008 (or such later date as may be agreed between each of the Subscribers and the Company), the Subscription Agreements shall lapse and become null and void and the parties to the Subscription Agreements will be released from all obligations under the Subscription Agreements, none of the parties to the Subscription Agreements shall have any claims against the others for costs, damages, compensation or otherwise save for any liability arising out of any antecedent breaches thereof.

Completion

Completion of each of the Subscription Agreements shall take place on the Completion Date at such time as the Company may agree with each of the Subscribers. Each of the Subscription Agreements is not inter-conditional and is independent of each other.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Save for the identify of each of the Subscribers and the principal amount of each of the Convertible Bonds, the principal terms of the Convertible Bonds are identical and are summarized as follows:

- Aggregate principal amount: HK\$21,726,000.
- Denomination: HK\$100 each.
- Interest: The Convertible Bonds will bear interest at a rate of 1% per annum from, and including the date of issue of the Convertible Bonds, on the outstanding principal amount of the Convertible Bonds. Interest will be payable by the Company semi-annually in arrears on the last day in each half-year.
- Form of the Convertible Bonds: Registered.
- Conversion period: Each of the holder of the Convertible Bonds shall, subject to compliance with the procedures set out in the paragraph headed “Conditions Precedent” under the section headed “The Subscription Agreements” above, have the right to convert either in whole or in part the principal amount into the Shares at the Conversion Price on any Business Day after the issue of the Convertible Bonds up to the Maturity Date at the discretion of the holders of the Convertible Bonds, provided that any conversion shall be made in amounts of not less than a whole multiple of HK\$100 on each conversion save that if at any time the outstanding principal amount of the Convertible Bonds is less than HK\$100, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted.
- Conversion Shares: (1) Assuming the conversion rights attaching to the Convertible Bond I are converted in full at the initial Conversion Price, a maximum of 28,000,000 Conversion Shares will be allotted and issued, representing approximately 7.29% of the issued share capital of the Company as at the date of this announcement and 6.28% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

- (2) Assuming the conversion rights attaching to the Convertible Bond II are converted in full at the initial Conversion Price, a maximum of 20,500,000 Conversion Shares will be allotted and issued, representing approximately 5.34% of the issued share capital of the Company as at the date of this announcement and 4.60% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.
- (3) Assuming the conversion rights attaching to the Convertible Bond III are converted in full at the initial Conversion Price, a maximum of 11,000,000 Conversion Shares will be allotted and issued, representing approximately 2.86% of the issued share capital of the Company as at the date of this announcement and 2.47% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.
- (4) Assuming the conversion rights attaching to the Convertible Bond IV are converted in full at the initial Conversion Price, a maximum of 1,432,000 Conversion Shares will be allotted and issued, representing approximately 0.37% of the issued share capital of the Company as at the date of this announcement and 0.32% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.
- (5) Assuming the conversion rights attaching to the Convertible Bond V are converted in full at the initial Conversion Price, a maximum of 1,144,000 Conversion Shares will be allotted and issued, representing approximately 0.30% of the issued share capital of the Company as at the date of this announcement and 0.26% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

The Conversion Shares will be issued under the general mandate (the “General Mandate”) granted to the Directors at the annual general meeting of the Company held on 24 April 2008. The maximum number of Shares to be issued under the General Mandate is 76,800,000 Shares. The General Mandate has not been utilized since the date of passing of the relevant ordinary resolution and up to the date of this announcement.

The Conversion Shares will rank *pari passu* in all respects with the existing Shares in issue and be issued free and clear from all liens, charges, encumbrances, claims, options, and third party rights and with all rights attaching to the Convertible Bonds as at the relevant conversion date. There are neither any conditions imposed on the Conversion Shares nor any restrictions on the ability of each of the Subscribers to dispose of the Conversion Shares which will be issued to each of them.

Fractions of Shares will not be issued on conversion but (except in cases where any such cash payment would amount to less than HK\$100) an equivalent cash payment in Hong Kong dollars will be made to the holder(s) of the Convertible Bonds in respect of such fraction, provided that for the purpose of determining whether any fraction of a share arises, if the conversion right attaching to the Convertible Bonds represented by a convertible bond certificate and any one or more convertible bond certificates are exercised on the same conversion date by the same holder(s) of the Convertible Bond, then the conversion rights attaching to the Convertible Bonds represented by such Convertible Bonds shall be aggregated.

Conversion Price:

The initial conversion price of HK\$0.35 per Share (subject to adjustments as may be made in the event of consolidation, or sub-division of Shares, issue of Shares by way of capitalization of profits or reserves, capital distribution, rights issue of Shares and options over Shares, as set out in the convertible bond instrument).

The Conversion Price represents: (i) a premium of approximately 2.94% over the closing price of HK\$0.34 per Share as quoted on GEM on the date of the Subscription Agreements and (ii) a discount of approximately 2.51% to the average closing price of HK\$0.359 per Share for the 5 trading days as quoted on GEM immediately prior to the date of the Subscription Agreements. The Conversion Price was determined and negotiated on an arm's length basis among the Company and each of the Subscribers with reference to the closing prices as shown above.

The adjustment to the Conversion Price is subject to review by approved merchant bank or the auditors appointed by the Company.

Mandatory conversion:

In the event that the prevailing price of the Conversion Shares is at least HK\$2 per Share for 5 consecutive trading days before the Maturity Date, the holder(s) of the Convertible Bonds shall mandatory exercise its rights to convert all of the Convertible Bonds into Conversion Shares.

Maturity:

Five years after the issue of the Convertible Bonds. The initial Maturity Date may be extended by one full-year at the option of the Company by way of giving at least 20 Business Days' notice to the holder(s) of the Convertible Bonds in advance of the initial Maturity Date.

Mandatory Redemption:

Upon the occurrence of any event of default as disclosed under the sub-paragraph headed "Events of default" below, any holder(s) of the Convertible Bonds will serve the notice in writing and, at any time, require the Company to redeem the whole (but not part) of the outstanding principal amount of the Convertible Bonds held by such holder of the Convertible Bonds at face value plus accrued interest. Such redemption amount shall become due and payable on the Business Day falling after ten days of the date of such notice.

Any Convertible Bonds which remains outstanding by 4:00 p.m. (Hong Kong time) on the Maturity Date shall be redeemed by the Company at face value plus accrued interest.

Partial Mandatory Redemption: If the Company fails to perform its obligations under the Subscription Agreements regarding the issue, deposit and delivery of Shares within the time period stipulated under the Subscription Agreements, the holder(s) of the Convertible Bonds may, at any time by notice in writing, require the Company to redeem such principal amount of the Convertible Bonds purported to be converted which may otherwise result in the allotment and issue of such excess number of Shares at 110% of face value plus accrued interest.

Call Option: The Company may redeem all but not some of the Convertible Bonds at face value plus accrued interest at any time after the issuance of the Convertible Bonds but prior to the Maturity Date at its discretion by 30 Business Days' notice in advance to the holder(s) of the Convertible Bonds, provided that each holder(s) of the Convertible Bonds shall retain its conversion right prior to the completion of the redemption.

Events of default: The holder(s) of the Convertible Bonds may give notice to the Company requiring the Company to redeem the whole of the outstanding principal amount of the Convertible Bonds upon the occurrence of any of the following events:

- default in the payment of the principal or premium (if any) or in the payment of interest in respect of any of the Convertible Bonds when and as the same ought to be paid in accordance with the conditions of the convertible bond instrument and such default continues for a period of 5 Business Days;

- default is made by the Company in the performance or observance of any covenant, condition or provision under the Convertible Bonds;
- an order of a court to wind up or dissolve the Company (other than the dissolution by a consolidation, amalgamation, merger or reorganization);
- an order of a court to wind up or dissolve a subsidiary of the Company (other than the dissolution of a subsidiary by a consolidation, amalgamation, merger or reorganization; or by way of a voluntary winding up or dissolution; or disposal of all or substantially all of the subsidiary's assets, where those assets will following such disposal be vested in the Company or other subsidiary; or a disposal of assets and/or of any subsidiary in the ordinary course of business of the Group);
- any encumbrance taking possession or receiver being appointed of the whole or material part of the assets or undertaking of the Group;
- any distress, execution or seizure is levied or enforced upon or against a material part of the property of the Company which remains undischarged;
- the Company or its subsidiaries is unable to pay its debts as and when they fall due or the Company or its subsidiaries shall initiate or consent to proceedings under any applicable bankruptcy, reorganization or insolvency law or make any assignment for the benefit of, or enter into any composition with its creditors;
- the bankruptcy proceedings against the Company or any its subsidiaries; or

- listing of the Shares on the GEM are being revoked or withdrawn or trading in the Shares on the GEM have been suspended for more than 60 consecutive trading days (excluding suspension for the purpose of clearing any announcement or circular with the Stock Exchange or the relevant securities regulatory authorities in Hong Kong in respect of any notifiable transactions entered into by the Company or any of its subsidiaries during its ordinary course of business and not resulting from any act or omission by the Company).

Transferability:

Subject to compliance with the conditions as may be imposed by the Stock Exchange and any applicable laws and regulations, the Convertible Bonds may be assigned or transferred in whole or in part (in whole multiples of HK\$100) of its outstanding principal amount to any party or parties other than the connected person(s) unless necessary approvals and consents (in particular, approval by independent shareholders of the Company) have been obtained with respect to any assignment or transfer of the Convertible Bonds to a connected person and the Company shall facilitate any such assignment or transfer of the Convertible Bonds, including making any necessary applications to the Stock Exchange for the approval.

The Company will undertake to the Stock Exchange that it will notify to the Stock Exchange as soon as practicable when it becomes aware of any dealings in the Convertible Bonds by any connected persons of the Company.

Voting rights:

The holder(s) of the Convertible Bonds will not have any right to receive of, attend or vote at any meetings of the Company by virtue of them being the holder(s) of the Convertible Bonds.

Listing: No application will be made for the listing of and permission to deal in the Convertible Bonds on the GEM or any other stock exchange. An application will be made to the GEM Listing Committee for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bonds.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table shows the shareholding structure of the Company (i) as at the date of this announcement and (ii) upon full exercise of the conversion rights attaching to the Convertible Bonds (assuming no change in shareholding and share capital of the Company):

	As at the date of this announcement		Upon full conversion of the Convertible Bonds (assuming no change in shareholding and share capital of the Company)	
	<i>Number of Shares</i>	<i>Approximate percentage</i>	<i>Number of Shares</i>	<i>Approximate percentage</i>
Vasky Inc. (Note 1)	105,512,000	27.48	105,512,000	23.65
Wah Hong Investment Limited (Note 2)	18,000,000	4.69	18,000,000	4.03
<i>Subscribers:</i>				
Subscriber I (Notes 3 and 4)	20,740,000	5.40	48,740,000	10.93
Subscriber II	0	0.00	20,500,000	4.60
Subscriber III	0	0.00	11,000,000	2.47
Subscriber IV	0	0.00	1,432,000	0.32
Subscriber V	0	0.00	1,144,000	0.26
Public	239,748,000	62.43	239,748,000	53.74
Total	<u>384,000,000</u>	<u>100.00</u>	<u>446,076,000</u>	<u>100.00</u>

Notes:

1. Vasky Inc. is wholly and beneficially owned by Mr. Lee Sung Min, an executive Director.
2. Wah Hong Investment Limited is wholly and beneficially owned by Mr. Lee Jong Dae, the chairman and an executive Director.

3. As at the date of this announcement, Subscriber I holds 20,740,000 Shares, representing approximately 5.40% of the issued share capital of the Company. Subscriber I will become a substantial shareholder (as defined under the GEM Listing Rules) of the Company immediately upon full exercise of the conversion rights attaching to the Convertible Bond I and assuming no change in shareholding and issued share capital of the Company in the meantime. The ultimate beneficial owner of the Subscriber I is Mr. Lee Seung Hoon. Mr. Lee does not have any role or position in the Company.
4. Subscriber I will not nominate any directors or representatives to the Board; or monitor/manage the business operations of the Company; or intend to influence any decisions made by the Board or otherwise actively participate in the business management of the Company upon Completion. In this regard, the Company is of the view that Subscriber I should not be deemed as a “management shareholder” of the Company under the GEM Listing Rules.
5. As at the date of this announcement, the Company granted 38,400,000 share options which remain outstanding. Save as disclosed herein, there were no outstanding options, warrants, derivatives or similar rights which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares.
6. Subscriber II, Subscriber III, Subscriber IV and Subscriber V will become the public Shareholders in the event that their conversion rights attaching to the convertible bond are fully exercised.

REASONS FOR THE ISSUE OF THE CONVERTIBLE BONDS

The Company is an investment holding company, the subsidiaries of which are principally engaged in home video products distribution, theatrical release arrangement, film rights sub-licensing and games distribution. The Directors consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since it will provide the Company with immediate funding without immediate dilution of the shareholding of the existing Shareholders. If the conversion rights attached to the Convertible Bonds are exercised, the capital base of the Company will be broadened.

The net proceeds from the issue of the Convertible Bonds will be approximately HK\$21 million, which will be used for general working capital for the Company or development of any suitable projects. On 7 July 2008, the Company announced that it had entered into a memorandum of understanding for the acquisition of 100% equity interest in GFT (Far East) Co., Ltd.. Such possible acquisition may or may not proceed and if it proceeds, the consideration will be satisfied by way of cash payment and/or issuance of new Shares and/or convertible securities. It is expected that the net proceeds from the issue of the Convertible Bonds may be partly used for funding the acquisition. However, as the possible acquisition is still at preliminary stage, the net proceeds to be used for the general working capital and the funding of possible acquisition cannot be accurately estimated at present.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

The following table summaries the fund raising activities of the Company for the 12 months immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
21 November 2007	Placing of 64,000,000 new Shares at HK\$0.41 per placing share	HK\$25,500,000	General working capital	As intended

Save as disclosed above, no other fund raising exercise has been carried out by the Company in the 12 months immediately preceding the date of this announcement.

GENERAL

Trading in the Shares on GEM was suspended from 9:30 a.m. on 15 July 2008 at the request of the Company pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on GEM from 9:30 a.m. on 17 July 2008.

DEFINITIONS

In the announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“acting in concert”	as defined under the Takeovers Code and Mergers
“Board”	the board of Directors
“Business Day”	a day (other than Saturday, Sunday or a public holiday) on which licensed banks in Hong Kong are generally open for business
“Company”	Era Information & Entertainment Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Completion”	the completion of the Subscription Agreements through the issuance of the Convertible Bonds and the execution of the convertible bond instrument as attached to the Subscription Agreements

“Completion Date”	the date of completion of the Subscription Agreements
“connected person(s)”	as defined under the GEM Listing Rules
“Conversion Price”	the initial conversion price of the Convertible Bonds, being HK\$0.35 per Share, subject to adjustments under the terms and conditions of the Convertible Bonds
“Conversion Shares”	Shares to be issued by the Company upon exercise of the conversion rights attaching to the Convertible Bonds by the holder(s) of the Convertible Bonds
“Convertible Bonds”	together, the Convertible Bond I, Convertible Bond II, Convertible Bond III, Convertible Bond IV and Convertible Bond V
“Convertible Bond I”	the unlisted convertible bond in the principal amount of HK\$9,800,000 to be issued by the Company to the Subscriber I
“Convertible Bond II”	the unlisted convertible bond in the principal amount of HK\$7,175,000 to be issued by the Company to the Subscriber II
“Convertible Bond III”	the unlisted convertible bond in the principal amount of HK\$3,850,000 to be issued by the Company to the Subscriber III
“Convertible Bond IV”	the unlisted convertible bond in the principal amount of HK\$501,200 to be issued by the Company to the Subscriber IV
“Convertible Bond V”	the unlisted convertible bond in the principal amount of HK\$400,400 to be issued by the Company to the Subscriber V
“Director(s)”	the directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of the Stock Exchange with responsible for GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Maturity Date”	five years after the issue of the Convertible Bonds
“PRC”	The People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Subscriber I, Subscriber II, Subscriber III, Subscriber IV and Subscriber V
“Subscriber I”	Ancient Castle Group Limited
“Subscriber II”	Power Castle Development Ltd.
“Subscriber III”	Girvan Holdings Limited
“Subscriber IV”	Pacific Pride Limited
“Subscriber V”	JDFM Investments Limited
“Subscription Agreements”	the five subscription agreements dated 14 July 2008 entered into between the Company as the issuer and each of the Subscribers (after trading hours) in respect of the issue of the Convertible Bonds
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

As at the date of this announcement, the chairman & executive Director is Mr. LEE Jong-Dae, the remaining executive Directors are Mr. KIM Beom Soo and Mr. LEE Sung Min; and independent non-executive Directors are Mr. BOULANGER David Marc, Mr. PARKER Christopher John and Mr. CHAN Sze Hon.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and the Company’s website at www.eraholdings.com.hk.