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## **ETERNITY INVESTMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 764)**

### **MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF 100% OF THE ISSUED SHARE CAPITAL OF BEST VOLUME INVESTMENTS LIMITED**

#### **THE DISPOSAL**

The Board is pleased to announce that on 5 December 2017 (after trading hours of the Stock Exchange), the Sale and Purchase Agreement was entered into between the Vendor and the Purchaser, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 100% of the issued share capital of Best Volume, at a consideration of HK\$405,000,000. Best Volume is an investment holding company, and through a series of wholly-owned subsidiaries, owns, operates and manages the Property.

The Directors consider that the terms of the Sale and Purchase Agreement (including the consideration) are on normal commercial terms, and fair and reasonable, and that the Disposal is in the interests of the Shareholders and the Company as a whole.

#### **LISTING RULES IMPLICATIONS**

As two of the relevant applicable percentage ratios (calculated in accordance with the Listing Rules) in respect of the Disposal are more than 25% but all ratios are less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Purchaser is a director of several subsidiaries of the Disposal Group, the Purchaser is a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules. Therefore, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Board has approved the Sale and Purchase Agreement and the transactions contemplated thereunder. In addition, the Directors (including all the independent non-executive Directors) have confirmed that the terms of the Sale and Purchase Agreement are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Disposal is exempt from independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

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

A circular containing, among other things, further details in respect of the Disposal, together with a notice convening the SGM and a form of proxy will be despatched to the Shareholders on or before 8 January 2018, which is more than 15 business days after the publication of this announcement, as additional time is required for the Company to prepare relevant information for inclusion in the circular.

## **THE DISPOSAL**

The Board is pleased to announce that on 5 December 2017 (after trading hours of the Stock Exchange), the Sale and Purchase Agreement was entered into between the Vendor and the Purchaser, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 100% of the issued share capital of Best Volume, at a consideration of HK\$405,000,000.

### **The Sale and Purchase Agreement**

The principle terms of the Sale and Purchase Agreement are set out as follows:

**Date:** 5 December 2017

**Parties:** (i) Vendor: Golden Stone Management Limited, a wholly-owned subsidiary of the Company

(ii) Purchaser: Mr. Xie Zhaobin

## **Assets to be disposed of**

Subject to the terms and conditions of the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 100% of the issued share capital of Best Volume.

Best Volume is an investment holding company, and through a series of wholly-owned subsidiaries, owns, operates and manages the Property.

## **Consideration**

The consideration for the sale and purchase of the Sale Shares shall be the sum of HK\$405,000,000 to be paid by the Purchaser to the Vendor in cash in the following manner:

- (a) HK\$235,300,000 (the “**Deposit**”) in cash as deposit shall be paid upon signing the Sale and Purchase Agreement; and
- (b) HK\$169,700,000 shall be paid in cash on the date of Completion.

The Deposit shall be immediately refunded and repaid to the Purchaser without interest upon the non-completion of the Sale and Purchase Agreement.

The consideration for the sale and purchase of the Sale Shares was determined after arm’s length negotiations between the parties to the Sale and Purchase Agreement with reference to the unaudited consolidated net asset value of the Disposal Group, the carrying amount of goodwill on acquisition of the Disposal Group and the fair value of the Property as at 30 June 2017.

The Directors (including the independent non-executive Directors) are of the view that the consideration of HK\$405,000,000 is fair and reasonable.

## Conditions precedent

The Disposal is conditional upon the satisfaction or waiver (if made in accordance with the provisions of the Sale and Purchase Agreement) of the following, or their satisfaction subject only to Completion:

- (a) the Company, being the holding company of the Vendor, having obtained the relevant approval from the Shareholders at a general meeting for the transactions as contemplated by the Sale and Purchase Agreement in accordance with the requirements of the Listing Rules, and the Vendor having obtained all necessary internal consents and approvals for the transactions as contemplated by the Sale and Purchase Agreement;
- (b) all authorisations (if any) which are required for the entering into or the performance of obligations under the Sale and Purchase Agreement by the parties thereto having been obtained and all filings with any authorities and other relevant third parties which are required for the entering into and the implementation of the Sale and Purchase Agreement having been made and such authorisations (if any) remaining in full force and effect and there being no statement, notification or intimation of an intention to revoke or not to renew the same having been recorded;
- (c) no order or judgment (whether temporary, preliminary or permanent) of any authority having been issued or made prior to Completion, and no legal or regulatory requirements remain to be satisfied, which has the effect of making unlawful or otherwise prohibiting or restricting the transfer of the Sale Shares to the Purchaser, or any transaction contemplated by the Sale and Purchase Agreement;
- (d) the Purchaser having conducted and completed a due diligence investigation on all business, assets and liabilities, legal and financial matters and all such other matters as deemed necessary by the Purchaser in his sole discretion, in relation to, inter alia, the Disposal Group and the Property, and the Purchaser being satisfied with the results of such due diligence investigation in his sole discretion;
- (e) the Purchaser being satisfied that no material adverse change has arisen or occurred since the date of the Sale and Purchase Agreement and up to Completion;
- (f) there having been no breach by the Vendor of its obligations pursuant to the pre-completion obligations given in the Sales and Purchase Agreement; and
- (g) there having been no breach of the warranties contained in the Sale and Purchase Agreement (and no fact, event or circumstance having occurred which would make the warranties contained in the Sale and Purchase Agreement untrue or inaccurate in any respect at Completion).

The Purchaser may at his sole discretion waive the above conditions precedent (save for condition (a), which cannot be waived) at any time by written notice to the Vendor.

If one or more of the above conditions precedent:

- (a) remains unsatisfied as at the Long Stop Date and has not been waived on or before that date in accordance with the Sale and Purchase Agreement; or
- (b) becomes impossible to satisfy before the Long Stop Date and, if it is a condition precedent which can be waived by the Purchaser, has not been waived within three (3) business days of such condition precedent becoming impossible to satisfy,

the Sale and Purchase Agreement (other than certain terms thereof in relation to, among others, announcements or disclosure, confidentiality, and costs and expenses) shall automatically terminate with immediate effect and each of the Vendor's and the Purchaser's rights and obligations other than those specified above shall cease immediately on termination. Such termination shall not affect the rights and obligations of any of the Vendor and the Purchaser existing before termination.

### **Completion**

Completion shall take place three (3) business days after the last of the conditions precedent is satisfied or waived in accordance with the Sale and Purchase Agreement, or at such other time (but in no event shall be later than the Long Stop Date) as may be agreed in writing between the Vendor and the Purchaser.

### **INFORMATION ON THE PURCHASER**

The Purchaser, Mr. Xie Zhaobin, is a director of Junxin, Yonghan, Yinmao and Yingrui. Therefore, the Purchaser is a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules.

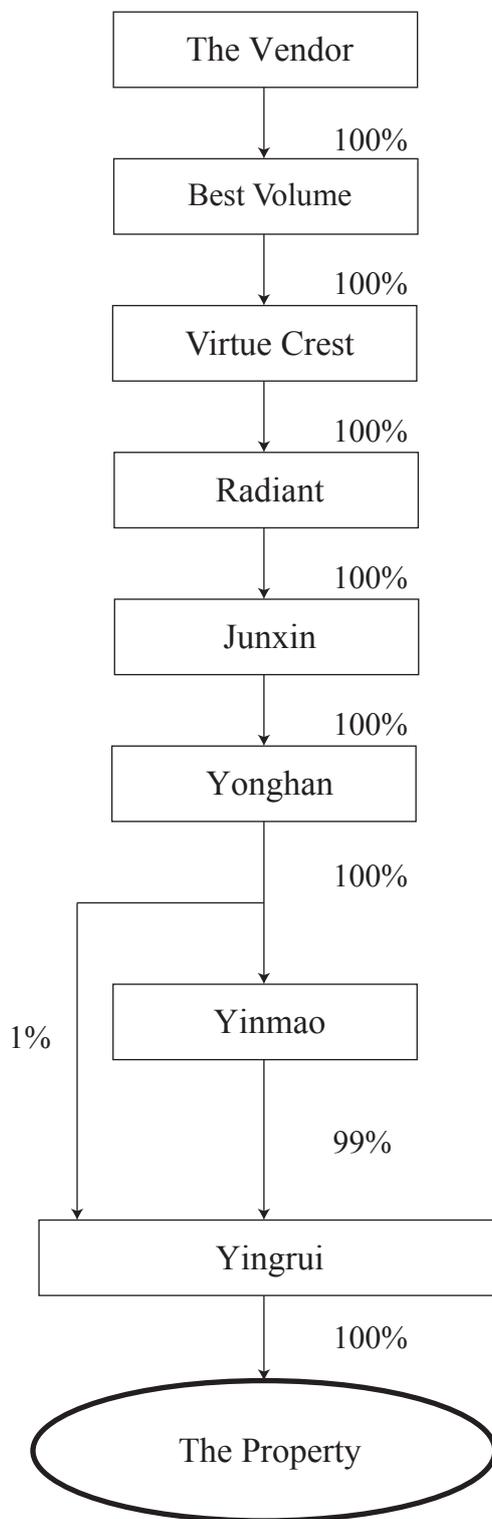
### **INFORMATION ON THE GROUP AND THE VENDOR**

The Company is an investment holding company and its subsidiaries are principally engaged in sale of financial assets, property investment, money lending, and design and sale of jewelry products.

The Vendor is an investment holding company.

## INFORMATION ON THE DISPOSAL GROUP AND THE PROPERTY

Best Volume is an investment holding company incorporated in the British Virgin Islands with limited liability and, through a series of wholly-owned subsidiaries, owns, operates and manages the Property. Its indirect wholly-owned subsidiaries, Yonghan, Yinmao and Yingrui are the relevant entities in substance that directly own, operate and manage the Property. The structure of the Disposal Group as at the date of the Sale and Purchase Agreement is set out as follows:



Set out below are the details of the Property which is indirectly and wholly owned and controlled by Best Volume:

Registered owner:	Yingrui
Date of issue of the Real Estate Title Certificates:	25 November 2013
Area of the land:	1,374 square meters
Location:	No. 33 Nonglinxia Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC
Term of the land use right:	40 years commencing on 10 July 2010
Type of land usage:	Commercial and financial usage
Gross floor area of the Property:	6,795.54 square meters

The unaudited financial information of the Disposal Group for the two years ended 31 December 2015 and 2016 is as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net consolidated profit/(loss) before tax and extraordinary items	17,437	(2,352)
Net consolidated profit/(loss) after tax and extraordinary items	16,504	(2,201)

As at 30 June 2017, the Disposal Group had an unaudited consolidated net asset value of HK\$339,804,000 (before adjusting for the goodwill on acquisition to HK\$59,495,000) with the Property valued by an independent professional valuer at HK\$571,020,000 as at 30 June 2017.

As at the date of the Sale and Purchase Agreement, Yonghan had a bank loan outstanding to Industrial and Commercial Bank of China in connection with the Property in the amount of RMB166,505,000 (equivalent to HK\$196,476,000). The bank loan is secured by a mortgage on the Property in favour of Industrial and Commercial Bank of China. The bank loan is interest bearing at the benchmark interest rate of The People's Bank of China upward by 20.00% per annum and maturing on 28 August 2032.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS**

As at the date of this announcement, the major assets of the Group's property investment business consist of (i) the Property; (ii) the rights to develop and operate the Subject Land and the rights to manage the properties erected thereon; and (iii) the rights to operate and manage the Club.

The Subject Land is currently under development into a high-end hotel villa and apartment complex, the first phase of which comprising nine hotel villas has been completed and marketing activity for leasing the nine hotel villas has been launched. It is expected that the second phase development will be commenced in mid-2018. As disclosed in the interim report of the Company for the six months ended 30 June 2017, taking into account the development costs already incurred, the remaining total budgeted development costs to be incurred by the Group for the Subject Land as at 30 June 2017 is RMB853,424,000 (equivalent to HK\$983,315,000), while the cash and cash equivalent of the Group amounted to HK\$216,622,000 as at 30 June 2017.

To finance the development of the Subject Land, the Company issued the secured notes due 2020 in the aggregate principal amount of HK\$300,000,000 (the "Notes") in August 2017. The net proceeds from the issuance of the Notes, after deducting the related expenses, are HK\$299,250,000 and are intended to use for financing the development of the Subject Land. The Notes are interest bearing at 8.00% per annum and maturing on 25 August 2020.

In view of the budgeted development costs for the Subject Land and the cash position of the Group, the Directors consider that the Disposal will allow the Group to strengthen its financial resources for developing the Subject Land, which is in the interests of the Shareholders and the Company as a whole. The proceeds from the Disposal will be used for the development of the Subject Land.

Also taking into account that the consideration for the sale and purchase of the Sale Shares is arrived at after arm's length negotiations with reference to the unaudited consolidated net asset value of the Disposal Group, the carrying amount of goodwill on acquisition of the Disposal Group and the fair value of the Property as at 30 June 2017, the Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement (including the consideration) are on normal commercial terms, and fair and reasonable, and that the Disposal is in the interests of the Shareholders and the Company as a whole.

## **FINANCIAL IMPACT OF THE DISPOSAL**

Upon Completion, the Company will cease to own any equity interests in Best Volume. Each of Best Volume and its subsidiaries will cease to be a subsidiary of the Company and their financial results will no longer be consolidated into the financial results of the Company.

The Group expects to record a loss of HK\$17,205,000 (before tax and subject to adjustment and audit) from the Disposal. The loss from the Disposal is calculated based on the consideration of HK\$405,000,000 minus (i) the unaudited consolidated net asset value of the Disposal Group of

HK\$399,299,000 (after adjusting for the goodwill on acquisition to HK\$59,495,000) as at 30 June 2017; (ii) the cumulative amount of the exchange differences of HK\$21,956,000 as at 30 June 2017 relating to the consolidated net asset of the Disposal Group reclassified from equity to profit or loss on the disposal of the Disposal Group ; and (iii) the estimated transaction costs of HK\$950,000.

Despite the expected loss of HK\$17,205,000 from the Disposal, the Directors (including the independent non-executive Director) are of the opinion that the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole on the following grounds:

- (a) The Disposal provides an opportunity to the Company to realise its investment properties in Guangzhou, Guangdong Province, the PRC into cash of HK\$405,000,000. As the entire proceeds are intended to be used for financing the development of the Subject Land, the Directors consider that the Disposal enables the Group to (i) largely reduce its reliance on obtaining external financing for developing the Subject Land, which correspondingly reduces its future finance costs; and (ii) strengthen its cash position in order to lessen the impact of uncertainty on the United States Federal Reserve beginning to reduce its balance sheet to a more normal level in October 2017.
- (b) Having examined the calculation of the loss from the Disposal, the loss is mainly attributable to the reclassification of the cumulative amount of the exchange differences of HK\$21,956,000 relating to the Disposal Group, previously recognised in other comprehensive income and accumulated in exchange reserve, from equity to profit or loss on the disposal of the Disposal Group in accordance with Hong Kong Accounting Standard 21 *The Effects of Changes in Foreign Exchange Rates*.

Such exchange differences are charged to other comprehensive income and summarises the exchange gains/losses resulting from the translation of the assets and liabilities of the Disposal Group from varying exchange rates over the years. The cumulative debit amount of the exchange differences of HK\$21,956,000 is a direct result of a 5.41% decrease in the exchange rate for Renminbi to Hong Kong Dollar from 12 November 2015, being the acquisition date of the Disposal Group, to 30 June 2017. Such exchange differences help investors to differentiate between actual operating gains/losses and those generated via translation.

Given that the financial effects of the cumulative amount of the exchange differences of HK\$21,956,000 have already been reflected in the consolidated financial statements of the Group and the Disposal Group, the Directors consider that the loss from the Disposal is mainly attributable to the reclassification of such cumulative amount of the exchange differences from equity to profit or loss on the disposal of the Disposal Group in complying with Hong Kong Accounting Standard 21 *The Effects of Changes in Foreign Exchange Rates*. Excluding the reclassification of such cumulative amount of the exchange differences, the Group would have recorded a gain from the Disposal of HK\$4,751,000.

## LISTING RULES IMPLICATIONS

As two of the relevant applicable percentage ratios (calculated in accordance with the Listing Rules) in respect of the Disposal are more than 25% but all ratios less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Purchaser is a director of several subsidiaries of the Disposal Group, the Purchaser is a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules. Therefore, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Board has approved the Sale and Purchase Agreement and the transactions contemplated thereunder. In addition, the Directors (including all the independent non-executive Directors) have confirmed that the terms of the Sale and Purchase Agreement are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Disposal is exempt from independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

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

A circular containing, among other things, further details in respect of the Disposal, together with a notice convening the SGM and a form of proxy will be despatched to the Shareholders on or before 8 January 2018, which is more than 15 business days after the publication of this announcement, as additional time is required for the Company to prepare relevant information for inclusion in the circular.

## DEFINITIONS

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

“Beijing Bayhood No. 9 Co” 北京北湖九號商務酒店有限公司 (Beijing Bayhood No. 9 Business Hotel Company Limited\*), a company established and registered in the PRC with limited liability and a wholly-owned subsidiary of the Company

“Best Volume” Best Volume Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor

\* *For the purpose of identification only*

“Board”	the board of Directors
“Club”	a membership-based golf club and resort constructed on a piece of 1,150 Chinese acres land located in Beijing, the PRC, in which Beijing Bayhood No. 9 Co has the rights to operate and manage
“Company”	Eternity 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: 764
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
“Disposal Group”	Best Volume and its subsidiaries
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Junxin”	廣州駿新環境監測有限公司 (Guangzhou Junxin Environmental Monitoring Co., Ltd.*), a company established and registered in the PRC with limited liability and a wholly-owned subsidiary of Radiant
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	28 February 2018 (or such other date as may be agreed by the Vendor and the Purchaser in writing)
“PRC”	The People’s Republic of China excluding, for the purposes of this announcement, Hong Kong and Macau Special Administrative Region of the PRC

\* For the purpose of identification only

“Property”	the commercial building located at No. 33 Nonglinxia Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC, details of which are set out in the section headed “Information on the Disposal Group and the Property” in this announcement
“Purchaser”	Mr. Xie Zhaobin
“Radiant”	Radiant Beauty Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Virtue Crest
“Sale and Purchase Agreement”	the conditional sale and purchase agreement entered into between the Vendor and the Purchaser dated 5 December 2017 in respect of the Disposal
“Sale Shares”	the two (2) shares with a par value of US\$1.00 each in the share capital of Best Volume which are beneficially owned by the Vendor prior to Completion, representing 100% of the issued share capital of Best Volume
“SGM”	the special general meeting of the Company to be convened for the purpose of approving, among other matters, the Sale and Purchase Agreement and the transactions contemplated thereunder
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Land”	a piece of 580 Chinese acre land adjacent to the Club
“Vendor”	Golden Stone Management Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Virtue Crest”	Virtue Crest Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Best Volume

“Yingrui”	廣州市迎瑞房地產開發有限公司(Guangzhou Yingrui Real Estate Development Co., Ltd.*), a company established and registered in the PRC with limited liability and is owned as to 99% of its equity interests by Yinmao and as to 1% of its equity interests by Yonghan
“Yinmao”	廣州殷貿環保科技有限公司(Guangzhou Yinmao Environmental Protection Technology Co., Ltd.*), a company established and registered in the PRC with limited liability and a wholly-owned subsidiary of Yonghan
“Yonghan”	廣州永翰投資管理有限公司(Guangzhou Yonghan Investment Management Co., Ltd.*), a company established and registered in the PRC with limited liability and a wholly-owned subsidiary of Junxin
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

*For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.180 has been used, where applicable, for purpose of illustration only and they do not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.*

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

Hong Kong, 5 December 2017

*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.*

\* For the purpose of identification only