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ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

INSIDE INFORMATION

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and Inside Information Provisions of Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

In September 2017, the Company announced that the Group entered into a series of agreements, including two framework co-operation agreements, a joint venture agreement and a supplemental agreement, with Tai Hu relating to (i) the provision of certain buildings to be erected on the Subject Land, which shall remain as the property of Beijing Bayhood No. 9 Co., as the permanent site for certain cultural forum and related cultural activities, and (ii) the formation of the JV Company to invite businesses for, manage and operate cultural forum and related cultural activities to be carried out on thereon.

In May 2018, Tai Hu entered into a strategic co-operation agreement with a state-owned museum (the “**State-Owned Museum**”). Pursuant to which, the JV Company has been designated as the entity to develop cultural projects and cultural products of the State-Owned Museum. In view of the opportunity to engage in the cultural industry through the strategic co-operation agreement entered into between Tai Hu and the State-Owned Museum, the Board has carried out a feasibility and profitability study on engaging in culture related business in the PRC.

As at the date of this announcement, the Board decides to pursue cultural business, which mainly involves earning rental income and/or sharing of ticketing income by providing venues to museums, exhibition organisers, artists, performers, entertainers, and profit-making and non-profit making cultural organisations, including but not limited to the State-Owned Museum, for cultural exhibitions, theme pavilions, performing arts, visual arts, etc. on a short-term basis to promote Chinese culture, customs and traditions (the “**Cultural Business**”).

In pursuit of the Cultural Business, the Board decides to utilise the entire first phase of the Subject Land. As at the date of this announcement, the first phase development of the Subject Land was completed and nine hotel villas with a total gross floor area of approximately 23,000 square metres were erected thereon. To make way for venues in carrying out the Cultural Business, seven of the nine hotel villas erected on the first phase of the Subject Land with a total gross floor area of approximately 18,000 square metres will be demolished for constructing an open garden square with an area of approximately 60,000 square metres (the “**Cultural Square**”), whereas the remaining two hotel villas with a total gross floor area of approximately 5,000 square metres will be used as exhibition halls, backstage, and supporting facilities. The entire first phase of the Subject Land will be tentatively named as “中華文化客廳” (Chinese Cultural Parlour*).

It is estimated that the construction costs (including the demolition costs of the seven hotel villas) for the Cultural Square will be approximately RMB38.00 million (equivalent to approximately HK\$43.70 million), which will be financed by the internal resources of the Group. The construction works for the Cultural Square will be commenced in the third quarter of 2018 and completed in the fourth quarter of 2018. It is expected that the Cultural Business will commence shortly after the completion of the construction works.

Given that the gross floor area of the seven hotel villas to be demolished, being approximately 18,000 square metres, will be allocated to the second and third phases development of the Subject Land, Beijing Bayhood No. 9 Co. is currently carrying out an architectural planning for integrating the additional gross floor area with the second and third phases development of the Subject Land. Based on the preliminary architectural planning, the second and third phases of the Subject Land will be developed into a complex with a five-star hotel, high-end serviced apartments, restaurants, exhibition and conference halls, recreational facilities, such as an indoor pool, a spacious spa, and a fitness centre, and supporting facilities with a total gross floor area of approximately 71,000 square metres. Upon completion of the architectural planning, applications will be made to the relevant governmental authorities for amending the previously approved development plan for the second and third phases of the Subject Land. It is currently estimated that the total budgeted costs for the second and third phases development of the Subject Land are approximately RMB880.00 million (equivalent to approximately HK\$1,012.00 million), which will be financed by the internal resources of the Group, rental income generated from the assets of the Club, income generated from the Cultural Business, and external borrowings.

The reasons and benefits for Beijing Bayhood No. 9 Co. pursuing the Cultural Business are as follows:

- (a) Given that Tai Hu has already given its consent to Beijing Bayhood No. 9 Co. to name the Subject Land as “太湖文化論壇永久壇址” (Permanent Conference Site of Tai Hu Cultural Forum*), the Directors believe that it is commercially appropriate for the Group to create a theme to the Subject Land, which is “culture”, by adding cultural activities to the Subject Land through the construction of the Cultural Square, “中華文化客廳” (Chinese Cultural Parlour*),

in the first phase of the Subject Land and the expansion into the Cultural Business, rather than operating the Subject Land merely as a high-end hotel apartment complex. By creating the theme of “culture” to the Subject Land, the Directors believe that the reputation of the Subject Land could be enhanced.

- (b) According to the data from National Bureau of Statistics of the PRC, the value added of China’s culture-related sectors stood at RMB3.08 trillion (equivalent to HK\$3.54 trillion) in 2016, rising 13% from the previous year. The PRC Government is planning to develop its cultural industry into a pillar of the national economy by 2020 by upgrading its industrial structure, fostering major brands and boosting consumption. The Directors perceive the established business relationship with Tai Hu, which has a strong background in the cultural industry in the PRC, providing an opportunity for Beijing Bayhood No. 9 Co. to engage in culture related business, which is a growing industry in the PRC.
- (c) By expanding into the Cultural Business, Beijing Bayhood No. 9 Co. is able to diversify the revenue composition mix of the Subject Land, rather than solely rely on real estate related income. Such expansion also diversifies the Group’s income sources.
- (d) Based on the feasibility and profitability study, the Cultural Business to be carried out by Beijing Bayhood No. 9 Co. generates a better return than leasing of the nine hotel villas erected on the first phase of the Subject Land for rental income.

Based on the audited consolidated statement of financial position of the Group as at 31 December 2017, the demolition of the seven hotel villas will result in the following financial impacts on the Group:

- (a) the recognition of a written-off of construction in progress under property, plant and equipment of approximately HK\$208.84 million in the Group’s consolidated statement of profit or loss for the year ending 31 December 2018; and
- (b) a decrease of approximately HK\$208.84 million in equity attributable to the owners of the Company as at 31 December 2018.

Based on the feasibility and profitability study, it is expected the demolition of the seven hotel villas and the pursuit of the Cultural Business will not result in any impairment losses on the intangible assets relating to the operating rights of the Subject Land and the goodwill arising from the acquisition of Smart Title Limited, the intermediate holding company of Beijing Bayhood No. 9 Co. in 2015.

Despite the above financial impacts on the Group, the Directors are of the view that the financial position of the Group remains sound.

The Company will make further announcement in relation to the proposed written-off of construction in progress under property, plant and equipment as and when required in accordance with the Listing Rules.

Shareholders and potential investors of the Company should be aware that the figures of the above-mentioned financial impacts are subject to annual audit by the auditors of the Company and advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, the following words and expressions shall, unless the context otherwise requires, have the same meanings when used herein:

“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
“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 (i) to develop and operate the golf club and resort, and (ii) to manage and operate the properties thereon
“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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Company”	北京棣馳文化發展有限公司(Beijing Di Chi Culture Development Company Limited*), a company established and registered in the PRC with limited liability and is owned as to 70% by Beijing Bayhood No. 9 Co. and as to 30% by Tai Hu
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	The People’s Republic of China
“Subject Land”	a piece of 580 Chinese acre land adjacent to the Club, in which Beijing Bayhood No. 9 Co. has the rights (i) to develop and operate the piece of 580 Chinese acre land, and (ii) to manage the properties erected on thereon
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tai Hu”	太湖世界文化論壇 (Tai Hu World Cultural Forum*), a national non-governmental organisation established in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For the purpose of this announcement, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of RMB1.00 = HK\$1.15. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

By Order of the Board
Eternity Investment Limited
Cheung Kwok Wai Elton
Executive Director

Hong Kong, 2 August 2018

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*