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If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Eternity Investment Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

**(I) MAJOR TRANSACTION
IN RELATION TO
THE POSSIBLE DISPOSAL OF SHARES IN
CHINA STAR ENTERTAINMENT LIMITED;
(II) REFRESHMENT OF SCHEME MANDATE LIMIT;
AND
(III) NOTICE OF SPECIAL GENERAL MEETING**

A notice convening a special general meeting of Eternity Investment Limited to be held at Macau Jockey Club, 1/F Function Room, 1st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 18 December 2014 at 10:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the special general meeting is enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk.

Whether or not you are able to attend the special general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

2 December 2014

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DEFINITIONS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

“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 issued 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 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
“EDS Wellness”	EDS Wellness Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued shares of which are listed on the Growth Enterprise Market operated by the Stock Exchange under stock code: 8176 and a 70.18% owned subsidiary of the Company
“EDS Wellness Group”	EDS Wellness and its subsidiaries
“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

DEFINITIONS

“Eligible Participant(s)”	full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any subsidiary); any holder of any securities issued by the Group; and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group eligible for Options under the Share Option Scheme
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) independent of the Company, China Star and their respective connected persons
“Kwun Tong Properties”	the whole of the 1st floor and the flat roof, the whole of 6th to 12th floors, roof, external walls, two lavatories, three lorry parking spaces and eight private car parking spaces on the ground floor of an industrial building located in Kwun Tong, Kowloon, Hong Kong with a total gross floor area of approximately 139,412 square feet exclusive of lavatories, lorry and car parking spaces flat roof and roof
“Latest Practicable Date”	28 November 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option(s)”	any option(s) granted to Eligible Participant(s) to subscribe for Share(s) under the old share option scheme or, after its termination, under the Share Option Scheme
“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

DEFINITIONS

“PRC”	the People’s Republic of China
“Refreshment of Scheme Mandate Limit”	the proposed refreshment of the Scheme Mandate Limit under the Share Option Scheme
“Remaining Group”	the Group immediately after the Disposal
“Scheme Mandate Limit”	the maximum number of Shares which may be allotted and issued upon the exercise of all Options which initially shall not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme and thereafter, if refreshed shall not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders
“SFO”	The Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“SGM”	a special general meeting of the Company to be convened and held at Macau Jockey Club, 1/F Function Room, 1st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 18 December 2014 at 10:00 a.m. to consider, and if thought fit, to approve the Disposal Mandate and the Refreshment of Scheme Mandate Limit
“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 issued Share(s)
“Share Option Scheme”	the Share Option Scheme adopted by the Company on 12 December 2011
“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.

LETTER FROM THE BOARD



ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

Executive Directors:

Mr. Lei Hong Wai
(Chairman and Chief Executive Officer)
Mr. Cheung Kwok Wai, Elton
Mr. Chan Kin Wah, Billy
Mr. Cheung Kwok Fan

Independent non-executive Directors:

Mr. Wan Shing Chi
Mr. Ng Heung Yan
Mr. Wong Tak Chuen

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*

Unit 3811, Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

2 December 2014

To the Shareholders

Dear Sir or Madam,

**(I) MAJOR TRANSACTION
IN RELATION TO
THE POSSIBLE DISPOSAL OF SHARES IN
CHINA STAR ENTERTAINMENT LIMITED;
(II) REFRESHMENT OF SCHEME MANDATE LIMIT;
AND
(III) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

On 7 November 2014, the Company announced that the Directors proposed to obtain the Disposal Mandate from the Shareholders for the possible disposal of up to 1,723,854,545 China Star Shares held by the Group. The Disposal Mandate constitutes a major transaction for the Company under the Listing Rules and is subject to Shareholders' approval at the SGM.

LETTER FROM THE BOARD

The Directors also propose to seek Shareholders' approval for the Refreshment of the Scheme Mandate Limit at the SGM.

The purpose of this circular is to provide the Shareholders with further details of (i) the Disposal Mandate and (ii) the Refreshment of Scheme Mandate Limit, together with a notice of the SGM.

THE DISPOSAL MANDATE

As at the Latest Practicable Date, the Group held 1,723,854,545 China Star Shares, representing approximately 10.81% of the total China Star Shares in issue.

The Directors propose to obtain the Disposal Mandate from the Shareholders for the possible 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.

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;

LETTER FROM THE BOARD

- (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 (the “**Benchmark Price**”); 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 the 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 capitalisation 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.

LETTER FROM THE BOARD

Financial effect 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 Latest Practicable Date, 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 Latest Practicable Date is HK\$0.11412, 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 recorded in the consolidated statement of financial position of the Group as at 30 June 2014. The gross proceeds from the Disposal will be approximately HK\$228,842,000.

LETTER FROM THE BOARD

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

China Star is 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 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
	HK\$'000	HK\$'000
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 China Star Shares held by the Group on open market from time to time in order to make profit. However, the 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.

LETTER FROM THE BOARD

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 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.

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 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.

WARNING STATEMENT

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" above. As such, Shareholders and investors are urged to exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

REFRESHMENT OF SCHEME MANDATE LIMIT

Pursuant to a resolution passed at the special general meeting of the Company held on 12 December 2011, the Share Option Scheme was adopted and the old share option scheme was terminated.

The purpose of the Share Option Scheme is to enable the Company to grant Options to selected Eligible Participants as incentives and rewards for their contribution or potential contributions to the Group. The exercise price of an Option shall not be less than the highest of: (i) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Shares on the date of grant.

Apart from the Share Option Scheme, the Company has no other share option scheme in place. Pursuant to the Share Option Scheme, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company adopted by the Company must not, in aggregate, exceed 10% of the Shares in issue as at the date of approving the Scheme Mandate Limit. Options previously granted under the Share Options Scheme and other share options schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised Options) shall not be counted for the purpose of calculating the Scheme Mandate Limit. The Scheme Mandate Limit may be refreshed by Shareholders in general meeting from time to time.

At the annual general meeting of the Company held on 20 June 2014, the Scheme Mandate Limit was refreshed, which allows the Company to grant 54,767,324 Options which represents 10% of the Shares in issue as at 20 June 2014.

During the period from 20 June 2014 to the Latest Practicable Date, (i) 46,220,000 Options were granted to the Eligible Participants under the Share Option Scheme; (ii) no Options were exercised by the holders thereof under the old share option scheme and the Share Option Scheme; (iii) no Options were cancelled by the Company; and (iv) no Options were lapsed.

As at the Latest Practicable Date, the number of outstanding Options entitling the holders thereof to subscribe for Shares under the old share option scheme (which was terminated on 12 December 2011) is 36,967 and the number of outstanding Options entitling the holders thereof to subscribe for Shares under the Share Option Scheme is 72,580,000. The aggregate of 72,616,967 outstanding Options entitle the holders thereof to subscribe for 72,616,967 Shares, representing approximately 13.26% of the issued share capital of the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

If the Scheme Mandate Limit is not refreshed at the SGM, only 8,547,324 Options, representing approximately 15.61% of the existing Scheme Mandate Limit of 54,767,324 Options, may be granted under the Share Option Scheme. The Directors consider that it is in the interest of the Company to refresh the Scheme Mandate Limit in accordance with the Share Option Scheme so that the Company has greater flexibility to provide incentives and rewards to the Eligible Participants for their contribution or potential contribution to the Group.

As at the Latest Practicable Date, there were 547,673,243 Shares in issue. The Company has complied with Rule 17.03(4) of the Listing Rules for the aforesaid Options granted. Assuming no further Shares are issued and repurchased by the Company prior to the SGM, upon the approval of the Refreshment of Scheme Mandate Limit by the Shareholders at the SGM, the Scheme Mandate Limit (as refreshed) will allow the Company to grant Options under the Share Option Scheme entitling the holders thereof to subscribe for Shares not exceeding 10% of the issued share capital of the Company as at the date of approving the Refreshment of Scheme Mandate Limit which are 54,767,324 Shares.

The limit on the number of Shares which may be allotted and issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme must not exceed 30% of the Shares in issue from time to time. As at the Latest Practicable Date, such number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme does not exceed 30% of the Shares in issue.

The Refreshment of Scheme Mandate Limit is conditional upon:

- (i) the passing of an ordinary resolution to approve the Refreshment of Scheme Mandate Limit at the SGM; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares (representing a maximum of 10% of the Shares in issue as at the date of passing the resolution of the Refreshment of Scheme Mandate Limit at the SGM) which may fall to be issued upon the exercise of the Options to be granted under the Share Option Scheme.

Application will be made to the Stock Exchange for the listing of, and permission to deal in the Shares, representing 10% of the Shares in issue at as the date of the SGM, which may fall to be issued upon the exercise of the Options that may be granted under the refreshed Scheme Mandate Limit.

LETTER FROM THE BOARD

THE SGM

A notice convening the SGM to be held at Macau Jockey Club, 1/F Function Room, 1st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 18 December 2014 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the resolutions to approve the grant of the Disposal Mandate and the Refreshment of Scheme Mandate Limit are set out on pages SGM-1 to SGM-3 of this circular.

A proxy form for use by the Shareholders at the SGM is enclosed herewith. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time fixed for the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

The Directors believe that the grant of the Disposal Mandate and the Refreshment of Scheme Mandate Limit are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the grant of the Disposal Mandate and the Refreshment of Scheme Mandate Limit.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

The English text of this circular, the notice of the SGM and the form of proxy for use at the SGM shall prevail over the Chinese text in case of inconsistency.

Yours faithfully,
For and on behalf of
Eternity Investment Limited
Lei Hong Wai
Chairman

FINANCIAL INFORMATION INCORPORATED BY REFERENCE

Financial information and management discussion and analysis of the Group for each of the three years ended 31 December 2011, 2012 and 2013 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.eternityinv.com.hk>).

The audited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for the year ended 31 December 2013 has been set out in pages 63 to 227 and pages 7 to 27 respectively of the annual report 2013 of the Company which are incorporated by reference into this circular and are available on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the annual report 2013:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0423/LTN20140423897.pdf>

The audited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for the year ended 31 December 2012 has been set out in pages 61 to 214 and pages 7 to 26 respectively of the annual report 2012 of the Company which are incorporated by reference into this circular and are available on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the annual report 2012:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0402/LTN201304021974.pdf>

The audited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for the year ended 31 December 2011 has been set out in pages 52 to 206 and pages 6 to 20 respectively of the annual report 2011 of the Company which are incorporated by reference into this circular and are available on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the annual report 2011:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0427/LTN20120427934.pdf>

STATEMENT OF INDEBTEDNESS**Borrowings**

At the close of business on 31 October 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Remaining Group had total borrowings of approximately HK\$9,372,000, comprising (i) a loan advanced by an Independent Third Party of HK\$1,400,000, which is non-interest bearing, unsecured and repayable on demand, (ii) a loan advanced by Koffman Investment Limited (a company 50% indirectly owned by an executive director of EDS Wellness) of HK\$1,000,000, which is interest bearing at 5% per annum, unsecured and maturing on 26 August 2015, (iii) the obligations under finance leases of approximately HK\$552,000, of which approximately HK\$532,000 is interest bearing at 3% per annum and approximately HK\$20,000 is non-interest bearing and all the obligations under finance leases are secured by the leased assets acquired and (iv) two promissory notes issued by EDS Wellness in the aggregate principal amount of HK\$6,420,000, which is non-interest bearing, unsecured and maturing on 30 June 2015.

Litigations and Contingent Liabilities

As at the close of business on 31 October 2014, the Remaining Group had the following material litigations and contingent liabilities:

- (a) On 15 April 2010, a claim was brought by China Finance & Assets Management Limited (“**China Finance**”) in the High Court Action No. 526 of 2010 against Rexdale Investment Limited (“**Rexdale**”), a wholly owned subsidiary of the Company, for failing to pay a service fee in the sum of HK\$25,000,000 to China Finance. No provision for the claim was made in the audited consolidated financial statements of the Remaining Group for the year ended 31 December 2013 as Lafe Corporation Limited has undertaken to indemnify and keep indemnified the Remaining Group against any and all losses, claims, damages, penalties, actions, demands, proceeding, judgment and costs arising from or in connection with the claim.
- (b) On 20 March 2014, the Board announced that it came to the attention of the Company that a writ of summons (the “**Writ 1**”) in High Court Action No. 9 of 2014 was issued by The Grande Holdings Limited (in liquidation), Roderick John Sutton (as joint and several provisional liquidator of The Grande Holdings Limited), Fok Hei Yu (as joint and several provisional liquidator of The Grande Holdings Limited) and 65 other companies listed as plaintiffs against 25 defendants inclusive of One Synergy Limited (“**One Synergy**”), a wholly owned subsidiary of the Company.

The action alleges, inter alia, that One Synergy is liable to the plaintiffs as a constructive trustee and/or by way of equitable compensation and/or an accounts of profits and/or restitution and/or damages as a knowing recipient and/or by reason of the knowing or dishonest assistance in the breaches of trust and/or breaches of fiduciary duties by various of the defendants and/or by reason of dealings between One Synergy and the plaintiffs otherwise being voidable (and avoided), void, unlawful or illegal, in respect of its receipt of the shares in The Grande Properties Ltd (now known as Rexdale).

Riche (BVI) Limited acquired the entire issued share capital of Adelio Holdings Limited, which is the holding company of One Synergy, from Vartan Holdings Limited, an independent third party, pursuant to a sale and purchase agreement dated 25 May 2011. One Synergy acquired the entire issued share capital of Rexdale from Lafe Corporation Limited, being one of the defendants, pursuant to a sale and purchase agreement dated 31 December 2010 (the “**Agreement**”). The entire issued share capital of Rexdale was sold by The Grande (Nominees) Ltd., being one of the plaintiffs, and The Grand Limited to Lafe Corporation Limited on or about 29 June 2007. The principal assets of Rexdale were the Kwun Tong Properties. The Kwun Tong Properties was sold by Rexdale to Grand Reward Limited, an independent third party, in July 2013.

One Synergy has sought counsel opinion on the Writ 1 and has been advised to defend the plaintiffs’ claim in the said action. Counsel has advised that, based upon available evidence, there is nothing unusual in the Agreement and One Synergy would not have any express or constructive notice of the plaintiffs’ alleged irregularities and/or fraudulent acts of the former directors and/or management officers of the plaintiffs and One Synergy should not be held liable to any part of the plaintiffs’ claim and has good and valid defence thereto.

- (c) On 28 April 2014, EDS Wellness received a writ of summons (the “**Writ 2**”) from the People’s Court of Huadu District, Guangzhou City, Guangdong Province of the PRC (the “**People’s Court**”).

Pursuant to the two writs of civil proceedings (the “**Writs of Civil Proceedings**”) enclosed with the Writ 2, the plaintiff 廣州市溢盈物業管理服務有限公司 (Guangzhou Yiying Property Management Services Co. Ltd.[#]) (“**Yiying**”), a property management company, alleges that, among others, (i) 廣州市雅基置業有限公司 (Guangzhou Yaji Properties Co. Ltd.[#]) (“**Yaji**”) has defaulted in payment of the management fees and utilities and miscellaneous fees of approximately

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RMB2,868,000 in respect of certain commercial properties owned by Yaji in Huadu District, Guangzhou City (the “**Properties**”) for the period from February 2012 to January 2014 and (ii) after the Properties had been sold and transferred to Yaji by 廣州市花都佳業房地產開發有限公司 (Guangzhou Huadu Jiaye Property Development Co. Ltd.[#]) (“**Jiaye**”), a company wholly owned by Mr. Shum Yeung (“**Mr. Shum**”), Yaji continued to default in payment of the management fees and as Yaji did not have enough capacity for payment, upon discussion between the parties, Yaji, EDS Wellness, Yiying and Jiaye entered into a letter of confirmation (the “**Letter of Confirmation**”) on 26 November 2010 providing that the obligations which should be performed by Yaji in relation to the management of the Properties would be assumed and performed by EDS Wellness. As such, EDS Wellness shall be jointly liable for the payment of the outstanding management fees and utilities and miscellaneous fees.

Under the Writs of Civil Proceedings, Yiying requests the People’s Court to:

- (i) order Yaji and EDS Wellness to forthwith and jointly pay to Yiying the outstanding management fees from February 2012 to January 2014 of approximately RMB2,866,000 (equivalent to approximately HK\$3,615,000) and the default payment until the day of actual repayment of approximately RMB1,369,000 (equivalent to approximately HK\$1,727,000) at 31 January 2014, totalling amounted to approximately RMB4,235,000 (equivalent to approximately HK\$5,341,000);
- (ii) order Yaji and EDS Wellness to forthwith and jointly pay to Yiying the outstanding utilities and miscellaneous fees from February 2012 to January 2014 of approximately RMB2,500 (equivalent to approximately HK\$3,200) and the interest loss until the day of actual repayment of approximately RMB300 (equivalent to approximately HK\$400) at 31 January 2014, totalling amounted to approximately RMB2,800 (equivalent to approximately HK\$3,600);
- (iii) order the appraisal fee of approximately RMB8,000 (equivalent to approximately HK\$10,000) for the security for the application for preservation of property be borne jointly by Yaji and EDS Wellness; and
- (iv) order all costs of the legal proceedings be borne jointly by Yaji and EDS Wellness.

The English translation of the Chinese name(s) in this circular, where indicated, is included for information purpose only, and shall not be regarded as the official English name(s) of such Chinese name(s).

With reference to the announcements of EDS Wellness dated 30 April 2010, 5 April 2012, 4 July 2012, 24 July 2012, 3 August 2012, 21 August 2012, 28 September 2012, 26 October 2012, 1 November 2012, 21 December 2012, 29 January 2013 and 25 April 2013 in relation to, among others, the proposed acquisition of a target company which held the entire equity interest in Yaji, the termination of such proposed acquisition and the legal proceedings against Mr. Shum. Although Yaji was once a wholly owned subsidiary of the target company to be acquired by the EDS Wellness Group, such proposed acquisition was terminated and the EDS Wellness Group has never acquired any equity interest in Yaji.

Having examined a copy of the Letter of Confirmation enclosed with the Writ 2, reviewed the internal records of EDS Wellness and enquired with the former management of EDS Wellness at the relevant times, EDS Wellness considers that the signature of the alleged representative of EDS Wellness on the Letter of Confirmation was not signed by any authorised representative of EDS Wellness and may be forged for, among others, the following reasons:

- (i) the signature of the alleged representative of EDS Wellness on the Letter of Confirmation was different from those of the former directors and the chief executive officer of EDS Wellness at the relevant times;
- (ii) the company chop affixed to the Letter of Confirmation was not the one commonly used by EDS Wellness for the execution of documents;
- (iii) the style of the signature and the handwriting of the date of execution of the alleged representative of EDS Wellness highly resembles those of Yaji on the same Letter of Confirmation;
- (iv) the internal records of EDS Wellness do not show that EDS Wellness has executed or approved the Letter of Confirmation; and
- (v) the former chairman and executive director, the former vice-chairman and executive director and the former chief executive officer of EDS Wellness at the relevant times have confirmed that (a) they had never seen or signed the Letter of Confirmation; (b) the Letter of Confirmation had never been tabled for discussion in any meetings of directors they attended and they had never passed any resolution in any meeting of directors of EDS Wellness to approve the Letter of Confirmation or authorised any person to represent EDS Wellness to sign the Letter of Confirmation; and (c) they are not aware of any person having signed the Letter of Confirmation for and on behalf of EDS Wellness.

EDS Wellness has instructed a lawyer in the PRC to defend the two cases. Three hearings were held by the People's Court on 16 June 2014, 30 June 2014 and 15 August 2014 respectively.

On 24 September 2014, EDS Wellness received the judgments of the Civil Proceedings (the “**Judgments**”) dated 19 September 2014 and issued by the People’s Court, pursuant to which, the People’s Court made the following principal orders:

- (i) order Yaji to pay to Yiyong within 10 days from the date of the Judgments the outstanding management fees in the total sum of approximately RMB2,616,000 (equivalent to approximately HK\$3,299,000) and the default payment until the day of actual repayment; and
- (ii) dismiss the claims against EDS Wellness set out in the Writs of Civil Proceedings.

Pursuant to the Judgments, Yaji and Yiyong may, within 15 days from receipt of the Judgments, lodge an appeal to the Intermediate People’s Court of Guangzhou City, Guangdong Province of the PRC (the “**Intermediate People’s Court**”) against the Judgments and EDS Wellness may, within 30 days from receipt of the Judgments, lodge an appeal to the Intermediate People’s Court against the Judgments. As advised by EDS Wellness’s legal adviser in the PRC, Yaji had lodged an appeal to the Intermediate People’s Court. The hearing for the second instance has not been fixed as at the Latest Practicable Date.

Commitments

As at 31 October 2014, the Remaining Group had a total commitments of HK\$309,000,000 relating to:

- (a) the subscription of the second tranche of convertible notes to be issued by China Star in the principal amount of HK\$300,000,000 pursuant to the conditional subscription agreement dated 21 January 2011 (as amended by the supplemental agreements dated 28 March 2011, 29 June 2012 and 31 December 2013). The subscription of the second tranche of convertible notes is conditional upon the fulfillment of the conditions precedent set out in the conditional subscription agreement, including the availability of sufficient fund by the Company; and
- (b) loans commitment in the aggregate principal amount of HK\$9,000,000 pursuant to the building mortgages entered into between the Remaining Group and its customers.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 October 2014, the Remaining Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other contingent liabilities.

Save as aforesaid, the Directors confirmed that there had been no material change to the indebtedness and contingent liabilities of the Remaining Group since 31 October 2014 and up to the Latest Practicable Date.

AN INTEREST IN THE SHARE CAPITAL OF A COMPANY ACQUIRED AFTER 31 DECEMBER 2013, BEING THE DATE TO WHICH THE LATEST PUBLISHED AUDITED CONSOLIDATED ACCOUNTS OF THE REMAINING GROUP WERE MADE UP

On 2 July 2014, the Remaining Group converted HK\$25,000,000 of the convertible notes in the aggregate principal amount of HK\$40,000,000 issued by EDS Wellness on 22 May 2014 into 25,000,000 new shares in EDS Wellness at an initial conversion price of HK\$1.00 per share. As a result of the conversion, EDS Wellness has become a 65.58% owned subsidiary of the Company.

On 22 July 2014, the Remaining Group subscribed for 12,500,000 new shares in EDS Wellness under the open offer announced by EDS Wellness on 25 June 2014 at a subscription price of HK\$3.00 per share pursuant to the irrevocable undertaking dated 25 June 2014 and given by the Remaining Group in favour of EDS Wellness and the underwriter.

On 28 August 2014, EDS Wellness allotted and issued 2,620,000 new shares by way of placing of new shares under general mandate to not less than six places and the Remaining Group's interest in EDS Wellness was diluted from 65.58% to 62.71%.

On 30 September 2014, the Remaining Group converted the remaining HK\$15,000,000 of the convertible notes issued by EDS Wellness on 22 May 2014 into 15,000,000 new shares in EDS Wellness at an initial conversion price of HK\$1.00 per share. As a result of the conversion, the Remaining Group's interest in EDS Wellness was increased from 62.71% to 70.18%.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that, save and except for the reporting of an 80% decrease in its profit attributable to owners of the Company for the six months ended 30 June 2014, there was no material adverse change in the financial or trading position of the Remaining Group since 31 December 2013, being the date to which the latest audited consolidated financial statements of the Remaining Group were made up.

WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Remaining Group including the internally generated funds and the effect of the Disposal Mandate, the Remaining Group will have sufficient working capital for at least 12 months from the Latest Practicable Date.

FINANCIAL AND TRADING PROSPECTS

Hong Kong has been witnessing a surge in capital inflows well before this summer. The Directors believe that the capital influx has been triggered by the market's recognition that the PRC's economy could have bottomed and a return of investor interests as the PRC's economy is showing signs of steadying based on recent data. The PRC's manufacturing activity has recently picked up as a series of government stimulus measures took effect. Given that capital influx is highly correlated with equities, the Directors are positive on the outlook for the Hong Kong equity market. Accordingly, the Remaining Group further invest in Hong Kong equities in the second half of 2014. Despite the positive outlook of Hong Kong equities, the Remaining Group continues to adopt a conservative investment approach in investing towards its sale of financial assets business.

The US Federal Reserve signaled interest rates may rise by the middle of 2015 and said it could increase as soon as six months after the US Federal Reserve ends its monthly bond purchase programme. This will impact those repaying mortgages as interest rates are expected to increase by 2% to 3% within the next three years. The current Special Stamp Duty, Double Stamp Duty and Buyer's Stamp Duty are expected to remain in force until material downward adjustments in secondary market prices. With the prospects of a possible 2015 interest rate hikes and the government's demand curb measures, the Directors predict a 10% to 15% drop in Hong Kong property prices over the next 12

months. In addition, the credit problems in the PRC forcing cash-strapped people in the PRC to sell their Hong Kong properties with discounts of 5% to 10% below market average have the potential to increase this price drop. As such, the Directors have adopted a wait-and-see approach towards the Hong Kong property market. On the other hand, the Directors are identifying suitable investment opportunities outside Hong Kong in order to revitalise the Remaining Group's property investment business.

With the active expansion in the second half of 2013 and the first half of 2014, the Remaining Group's money lending business recorded a significant growth in the six months ended 30 June 2014 as compared to the previous period. The Remaining Group will slow down the pace of expanding money lending business in the remainder of 2014. As most of the loans granted in the second half of 2013 were drawn in the fourth quarter of 2013, it is expected that a significant growth in the Remaining Group's money lending business will be recorded for the year ending 31 December 2014 as compared to HK\$24,101,000 in 2013.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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, the information contained in this circular is accurate and complete in all material respect and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as at the Latest Practicable Date, no Directors or chief executive of the Company had or was deemed to have interests or short positions in Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions

a. *the Shares*

Name of Director	Note	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Mr. Lei Hong Wai	<i>1</i>	Held by controlled corporations	105,708,000	19.30%
Mr. Cheung Kwok Wai, Elton	<i>1</i>	Held by controlled corporations	105,708,000	19.30%

Name of Director	Note	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Mr. Cheung Kwok Fan	1	Held by controlled corporations	105,708,000	19.30%
Mr. Chan Kin Wah, Billy		Beneficial owner	2,449,500	0.45%

Note:

1. Twin Success International Limited (“**Twin Success**”) is owned as to 50% by Silver Pacific International Limited and as to 50% by Silver Pacific Development Limited. Silver Pacific International Limited is wholly owned by Mr. Lei Hong Wai. Silver Pacific Development Limited is owned as to 50% by Mr. Cheung Kwok Wai, Elton and as to 50% by Mr. Cheung Kwok Fan.

b. the Options

Name of Director	Capacity	Number of Options held	Number of underlying Shares
Mr. Lei Hong Wai	Beneficial owner	950	950
Mr. Chan Kin Wah, Billy	Beneficial owner	5,472,391	5,472,391

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors, no other person or companies had an interest or short positions in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Long positions

a. *the Shares*

Name of Shareholder	Notes	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Twin Success	1	Beneficial owner	105,708,000	19.30%
Silver Pacific International Limited	1 and 2	Held by controlled corporation	105,708,000	19.30%
Silver Pacific Development Limited	1 and 3	Held by controlled corporation	105,708,000	19.30%
Mr. Lei Hong Wai	1 and 2	Held by controlled corporations	105,708,000	19.30%
Mr. Cheung Kwok Wai, Elton	1 and 3	Held by controlled corporations	105,708,000	19.30%
Mr. Cheung Kwok Fan	1 and 3	Held by controlled corporations	105,708,000	19.30%

Name of Shareholder	Notes	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Asia Vest Partners VII Limited	4	Held by controlled corporations	32,373	9.95%
Asia Vest Partners X Limited	4	Held by controlled corporations	32,373	9.95%
Asia Vest Partners Limited	4	Held by controlled corporations	32,373	9.95%
Mr. Andrew Nam Sherrill	4	Held by controlled corporations	32,373	9.95%

Notes:

1. Twin Success is owned as to 50% by Silver Pacific International Limited and as to 50% by Silver Pacific Development Limited.
2. Silver Pacific International Limited is wholly owned by Mr. Lei Hong Wai.
3. Silver Pacific Development Limited is owned as to 50% by Mr. Cheung Kwok Wai, Elton and as to 50% by Mr. Cheung Kwok Fan.
4. The number of issued Shares held was adjusted for the capital reorganisation of the Company that became effective on 2 May 2008, 23 April 2009 and 9 May 2012.

b. the Options

Name of Shareholder	Capacity	Number of Options held	Number of underlying Shares
Mr. Lei Hong Wai	Beneficial owner	950	950

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013, being the date to which the latest published audited consolidated accounts of the Group were made up.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business or interest that competes or may compete with the business of the Group or any other conflicts of interest with the Group.

6. LITIGATIONS

As at the Latest Practicable Date, save as disclosed below, neither the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

- (a) On 15 April 2010, a claim was brought by China Finance in High Court Action No. 526 of 2010 against REXDALE, for failing to pay a service fee in the sum of HK\$25,000,000 to China Finance. No provision for the claim was made in the audited consolidated financial statements of the Group for the year ended 31 December 2013 as LAFE CORPORATION LIMITED has undertaken to indemnify and keep indemnified the Group against any and all losses, claims, damages, penalties, actions, demands, proceedings, judgment and costs arising from or in connection with the claim.

- (b) On 20 March 2014, the Board announced that it came to the attention of the Company that the Writ 1 in High Court Action No. 9 of 2014 was issued by The Grande Holdings Limited (in liquidation), Roderick John Sutton (as joint and several provisional liquidator of The Grande Holdings Limited), Fok Hei Yu (as joint and several provisional liquidator of The Grande Holdings Limited) and 65 other companies listed as plaintiffs against 25 defendants inclusive of One Synergy.

The action alleges, inter alia, that One Synergy is liable to the plaintiffs as a constructive trustee and/or by way of equitable compensation and/or an accounts of profits and/or restitution and/or damages as a knowing recipient and/or by reason of the knowing or dishonest assistance in the breaches of trust and/or breaches of fiduciary duties by various of the defendants and/or by reason of dealings between One Synergy and the plaintiffs otherwise being voidable (and avoided), void, unlawful or illegal, in respect of its receipt of the shares in The Grande Properties Ltd (now known as Rexdale).

Riche (BVI) Limited acquired the entire issued share capital of Adelio Holdings Limited, which is the holding company of One Synergy, from Vartan Holdings Limited, an independent third party, pursuant to a sale and purchase agreement dated 25 May 2011. One Synergy acquired the entire issued share capital of Rexdale from Lafe Corporation Limited, being one of the defendants, pursuant the Agreement. The entire issued share capital of Rexdale was sold by The Grande (Nominees) Ltd., being one of the plaintiffs, and The Grand Limited to Lafe Corporation Limited on or about 29 June 2007. The principal assets of Rexdale were the Kwun Tong Properties. The Kwun Tong Properties was sold by Rexdale to Grand Reward Limited, an independent third party, in July 2013.

One Synergy has sought counsel opinion on the Writ 1 and has been advised to defend the plaintiffs' claim in the said action. Counsel has advised that, based upon available evidence, there is nothing unusual in the Agreement and One Synergy would not have any express or constructive notice of the plaintiffs' alleged irregularities and/or fraudulent acts of the former directors and/or management officers of the plaintiffs and One Synergy should not be held liable to any part of the plaintiffs' claim and has good and valid defence thereto.

- (c) As disclosed in the announcements of EDS Wellness dated 5 April 2012, 4 July 2012, 24 July 2012, 3 August 2012, 21 August 2012, 28 September 2012, 26 October 2012, 1 November 2012, 21 December 2012, 29 January 2013, 25 April 2013 and 3 May 2013 respectively in relation to, among other matters, the deed of termination, entered into between Blu Spa (Hong Kong) Limited (“**BSHK**”, a deconsolidated subsidiary of EDS Wellness) and Mr. Shum in relation to the termination of the acquisition of 70% equity interest of Vertical Signal Investments Limited, pursuant to which Mr. Shum shall repay BSHK the full amount of the refundable deposit of HK\$45,000,000, the issuing of the writ of summons (the “**Writ 3**”) in the High Court of Hong Kong by BSHK against Mr. Shum, the subsequent execution of the deed of settlement (the “**Deed of Settlement**”) by BSHK and Mr. Shum for the settlement of legal proceedings represented by the Writ 3, the extension to the repayment dates for Mr. Shum to make repayment pursuant to the Deed of Settlement, the execution of the deed of assignment (the “**Deed of Assignment**”), the execution of a second deed of settlement (the “**Second Deed of Settlement**”) by BSHK, EDS Wellness and Mr. Shum, the repayment proposal agreed between EDS Wellness and Mr. Shum (the “**Repayment Proposal**”), the new repayment proposal agreed between EDS Wellness and Mr. Shum (the “**New Repayment Proposal**”) and the additional security provided by Dutfield International Group Company Limited, which is owned as to 50% by a former director of ESD Wellness and as to 50% by her spouse, to EDS Wellness for the recovery of the outstanding amount due by Mr. Shum. As Mr. Shum defaulted to settle the outstanding amount due to EDS Wellness, EDS Wellness applied to the Court to restore the hearing of the summary judgment application and substitute BSHK as the plaintiff in the summary judgment application against Mr. Shum. On 25 July 2013, a consent order was granted by the Court of First Instance of the High Court of Hong Kong that, among others, EDS Wellness be granted leave to substitute BSHK as the plaintiff in the legal action against Mr. Shum. An amended statement of claim was filed on about 30 July 2013.

At the hearing of EDS Wellness’s application for summary judgment held on 6 September 2013 (the “**Summary Judgment**”), the Court adjudged that Mr. Shum (i) do pay EDS Wellness the sum of HK\$39,127,500 together with contractual interest thereon calculated from day to day at the rate of 30% per annum from 1 May 2013 to 6 September 2013, and thereafter at judgment rate pursuant to Section 48 of High Court Ordinance until payment, i.e. 8% per annum from 7 September 2013 until payment; and (ii) shall pay EDS Wellness the costs of this action including the costs of EDS Wellness’s judgment to be

taxed if not agreed. EDS Wellness demanded Mr. Shum's immediate payment of the judgment debt. As Mr. Shum failed to settle the judgment debt, EDS Wellness applied to the Court for garnishee orders (the "**Garnishee Orders**") and charging orders (the "**Charging Orders**") for the recovery of the judgment debt. The hearing of the Garnishee Orders and Charging Orders was originally fixed to be heard on 6 November 2013. However, Mr. Shum made an application to the Court on 4 November 2013 for staying the proceedings for the Charging Orders and the Garnishee Orders and setting aside the Summary Judgment. EDS Wellness asked for the adjournment of hearing on 6 November 2013 in order to file and serve affirmation in opposition to Mr. Shum's application. The application for making the Charging Orders and Garnishee Orders and Mr. Shum's application was therefore adjourned to be heard on 5 March 2014. The Court did not make judgment at the close of the hearing and will hand down the judgment later. As at the Latest Practicable Date, the judgment has not yet been handed down by the Court.

- (d) On 28 April 2014, EDS Wellness received the Writ 2 from the People's Court.

Pursuant to the Writs of Civil Proceedings enclosed with the Writ 2, the plaintiff Yiying alleges that, among others, (i) Yaji has defaulted in payment of the management fees and utilities and miscellaneous fees of approximately RMB2,868,000 in respect of the Properties for the period from February 2012 to January 2014, and (ii) after the Properties had been sold and transferred to Yaji by Jiaye, Yaji continued to default in payment of the management fees and as Yaji did not have enough capacity for payment, upon discussion between the parties, Yaji, EDS Wellness, Yiying and Jiaye entered into the Letter of Confirmation on 26 November 2010 providing that the obligations which should be performed by Yaji in relation to the management of the Properties would be assumed and performed by EDS Wellness. As such, EDS Wellness shall be jointly liable for the payment of the outstanding management fees and utilities and miscellaneous fees.

Under the Writs of Civil Proceedings, Yiying requests the People's Court to:

- (i) order Yaji and EDS Wellness to forthwith and jointly pay to Yiying the outstanding management fees from February 2012 to January 2014 of approximately RMB2,866,000 (equivalent to approximately HK\$3,615,000) and the default payment until the day of actual repayment of approximately RMB1,369,000 (equivalent to approximately HK\$1,727,000) at 31 January 2014, totalling amounted to approximately RMB4,235,000 (equivalent to approximately HK\$5,341,000);

- (ii) order Yaji and EDS Wellness to forthwith and jointly pay to Yiying the outstanding utilities and miscellaneous fees from February 2012 to January 2014 of approximately RMB2,500 (equivalent to approximately HK\$3,200) and the interest loss until the day of actual repayment of approximately RMB300 (equivalent to approximately HK\$400) at 31 January 2014, totalling amounted to approximately RMB2,800 (equivalent to approximately HK\$3,600);
- (iii) order the appraisal fee of approximately RMB8,000 (equivalent to approximately HK\$10,000) for the security for the application for preservation of property be borne jointly by Yaji and EDS Wellness; and
- (iv) order all costs of the legal proceedings be borne jointly by Yaji and EDS Wellness.

With reference to the announcements of EDS Wellness dated 30 April 2010, 5 April 2012, 4 July 2012, 24 July 2012, 3 August 2012, 21 August 2012, 28 September 2012, 26 October 2012, 1 November 2012, 21 December 2012, 29 January 2013 and 25 April 2013 in relation to, among others, the proposed acquisition of a company which held the entire equity interest in Yaji, the termination of such proposed acquisition and the legal proceedings against Mr. Shum. Although Yaji was once a wholly-owned subsidiary of the target company to be acquired by the EDS Wellness Group, such proposed acquisition was terminated and the EDS Wellness Group has never acquired any equity interest in Yaji.

Having examined a copy of the Letter of Confirmation enclosed with the Writ 2, reviewed the internal records of EDS Wellness and enquired with the former management of EDS Wellness at the relevant times, EDS Wellness considers that the signature of the alleged representative of EDS Wellness on the Letter of Confirmation was not signed by any authorised representative of EDS Wellness and may be forged for, among others, the following reasons:

- (i) the signature of the alleged representative of EDS Wellness on the Letter of Confirmation was different from those of the former directors and the chief executive officer of EDS Wellness at the relevant times;
- (ii) the company chop affixed to the Letter of Confirmation was not the one commonly used by EDS Wellness for the execution of documents;

- (iii) the style of the signature and the handwriting of the date of execution of the alleged representative of EDS Wellness highly resembles those of Yaji on the same Letter of Confirmation;
- (iv) the internal records of EDS Wellness do not show that EDS Wellness has executed or approved the Letter of Confirmation; and
- (v) the former chairman and executive director, the former vice-chairman and executive director and the former chief executive officer of EDS Wellness at the relevant times have confirmed that (a) they had never seen or signed the Letter of Confirmation; (b) the Letter of Confirmation had never been tabled for discussion in any meetings of directors they attended and they had never passed any resolution in any meeting of directors of EDS Wellness to approve the Letter of Confirmation or authorised any person to represent EDS Wellness to sign the Letter of Confirmation; and (c) they are not aware of any person having signed the Letter of Confirmation for and on behalf of EDS Wellness.

EDS Wellness has instructed a lawyer in the PRC to defend the two cases. Three hearings were held by the People's Court on 16 June 2014, 30 June 2014 and 15 August 2014 respectively.

On 24 September 2014, EDS Wellness received the Judgments, pursuant to which, the People's Court made the following principal orders:

- (i) order Yaji to pay to Yiying within 10 days from the date of the Judgments the outstanding management fees in the total sum of approximately RMB2,616,000 (equivalent to approximately HK\$3,299,000) and the default payment until the day of actual repayment; and
- (ii) dismiss the claims against EDS Wellness set out in the Writs of Civil Proceedings.

Pursuant to the Judgments, Yaji and Yiying may, within 15 days from receipt of the Judgments, lodge an appeal to the Intermediate People's Court against the Judgments and EDS Wellness may, within 30 days from receipt of the Judgments, lodge an appeal to the Intermediate People's Court against the Judgments. As advised by EDS Wellness's legal adviser in the PRC, Yaji had lodged an appeal to the Intermediate People's Court. The hearing for the second instance has not been fixed as at the Latest Practicable Date.

7. SERVICES CONTRACTS

As at the Latest Practicable Date, no Directors had entered into any services contracts with any member of the Group which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

8. MISCELLANEOUS

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business of the Company is situated at Unit 3811, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited, having its office situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) Mr. Chan Kin Wah, Billy, the company secretary of the Company, is a member of the Hong Kong Institute of Certified Public Accountants, a CPA member of CPA Australia and a non-practicing member of the Chinese Institute of Certified Public Accountants. He holds a Bachelor of Administration Degree from University of Ottawa in Canada and a Master of Commerce Degree in Professional Accounting from University of New South Wales in Australia.

9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

- (a) the placing agreement dated 14 January 2013 and entered into between the Company and Kingston Securities Limited, pursuant to which the Company has conditionally agreed to place, through Kingston Securities Limited on a best effort basis, a maximum of 47,000,000 new Shares to not fewer than six independent investors at a price of HK\$0.645 per Share;
- (b) the underwriting agreement dated 13 March 2013 and entered into between the Company, Kingston Securities Limited and Twin Success in relation to the underwriting arrangement in respect of proposed issue of not less than 152,224,414 new Shares and not more than 152,432,572 new Shares by way

of open offer to the qualifying Shareholders for subscription at a price of HK\$1.20 per new Share on the basis of one new Share for every two existing Shares held on 5 April 2013;

- (c) the conditional subscription agreement dated 21 March 2013 and entered into between New Cove Limited, a wholly owned subsidiary of the Company, as subscriber and EDS Wellness as issuer relating to the subscription of the convertible bonds in the principal amount of HK\$40,000,000;
- (d) the sale and purchase agreement dated 6 June 2013 and entered into between Riche (BVI) Limited as vendor and Mason Capital Limited as purchaser relating to sale and purchase of the entire issued share capital of East Legend Properties Limited and the shareholder's loan due by East Legend Properties Limited at a consideration of HK\$12,505,431;
- (e) the sale and purchase agreement dated 6 June 2013 and entered into between Riche (BVI) Limited as vendor and Mason Capital Limited as purchaser relating to sale and purchase of the entire issued share capital of Goway Properties Limited and the shareholder's loan due by Goway Properties Limited at a consideration of HK\$12,489,911;
- (f) the supplemental agreement dated 4 July 2013 and entered into between Rexdale and Grand Reward Limited in relation to amending certain terms of the binding preliminary sale and purchase agreement dated 20 November 2012 to effect Rexdale no longer be required to deliver vacant possession of all units of the Kwun Tong Properties on completion;
- (g) the placing agreement dated 3 October 2013 and entered into between Eternity Finance Group Limited ("**Eternity Finance**"), a wholly owned subsidiary of the Company, and Kingston Securities Limited, pursuant to which Eternity Finance has conditionally agreed to place, through Kingston Securities Limited on a best effort basis, 1,136,363,636 China Star Shares to independent investors at a price of HK\$0.135 per China Star Share;
- (h) the letter of extension dated 30 October 2013 and entered into between New Cove Limited and EDS Wellness relating to extending the long stop date of the conditional subscription agreement dated 21 March 2013 from 31 October 2013 to 30 June 2014;

- (i) the irrevocable undertaking dated 5 November 2013 given by Eternity Finance to China Star and Kingston Securities Limited (i) not to exercise its conversion rights attached to the convertible bonds in the principal of HK\$225,000,000 issued by China Star to the close of business on 25 November 2013, being the record date for determining the entitlement to the open offer as announced by China Star on 5 November 2013; and (ii) the convertible bonds in the principal of HK\$225,000,000 registered in the name of and beneficially owned by Eternity Finance will remain registered in the name of and beneficially owned by Eternity Finance from 5 November 2013, being the date of underwriting agreement to the record date;
- (j) the supplemental agreement date 18 November 2013 and entered into between Eternity Finance, China Star, Kingston Securities Limited and Heung Wah Keung Family Endowment Limited relating to change the record date for the open offer as announced by China Star on 5 November 2013 from 25 November 2013 to 31 December 2013;
- (k) the supplemental agreement dated 31 December 2013 and entered into between the Company and China Star relating to the further extension of completion date of the second tranche subscription of the convertible bonds of HK\$300,000,000 pursuant to the conditional subscription agreement dated 21 January 2011 from 31 December 2013 to 31 December 2015;
- (l) the placing agreement dated 20 February 2014 and entered into between the Company and Kingston Securities Limited, pursuant to which the Company has conditionally agreed to place, through Kingston Securities Limited on a best effort basis, up to 91,000,000 new Shares to not fewer than six independent investors at a price of HK\$0.78 per Share;
- (m) the conditional sale and purchase agreement dated 1 April 2014 entered into between Riche (BVI) Limited as purchaser and Mr. Cheung Kwok Fan as vendor in respect of the acquisition of the entire issued share capital in and the shareholder's loan due by Thought Diamond International Limited (the “**S&P Agreement**”);
- (n) the deed of variation dated 25 April 2014 entered into among Riche (BVI) Limited as purchaser and Mr. Cheung Kwok Fan as vendor in relation to the amendment and modification of certain terms of the S&P Agreement;

- (o) the conditional sale and purchase agreement dated 30 May 2014 and entered into between Riche (BVI) Limited as vendor and Mr. Ng Cheuk Fai as purchaser relating to the sale and purchase of the entire issued share capital of Rich Daily Group Limited at a consideration of HK\$2,000,000;
- (p) the irrevocable undertaking dated 25 June 2014 given by New Cove Limited to ESD Wellness and Kingston Securities Limited (i) to convert the convertible bonds in the principal amount of HK\$25,000,000 into 25,000,000 new shares in EDS Wellness before the commencement of the book close period of the open offer as announced by EDS Wellness on 25 June 2014; (ii) not to convert the remaining balance of the convertible bonds in the principal amount of HK\$15,000,000 into 15,000,000 new shares in EDS Wellness before the record date for the open offer; (iii) to subscribe for or procure the subscription for 12,500,000 new shares in EDS Wellness to be allotted to it under its entitlement pursuant to the open offer; and (iv) to lodge the application form(s) in respect of the 12,500,000 new shares in EDS Wellness accompanied by the appropriate remittances which shall be honoured on first presentation prior to the latest time for acceptance under the open offer;
- (q) the placing agreement dated 15 August 2014 and entered into between EDS Wellness and Kingston Securities Limited, pursuant to which EDS Wellness has conditionally agreed to place, through Kingston Securities Limited on a best effort basis, up to 2,620,000 new shares in EDS Wellness to not fewer than six independent investors at a price of HK\$3.15 per share in EDS Wellness; and
- (r) the deed of variation dated 19 September 2014 entered into among Riche (BVI) Limited as purchaser and Mr. Cheung Kwok Fan as vendor in relation to the extension of the long stop date of the S&P Agreement (as amended and modified by the deed of variation dated 25 April 2004) from 30 September 2014 to 31 October 2014.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and principal place of business of the Company at Unit 3811, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong during normal business hours on any weekday other than public holidays, up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the financial years ended 31 December 2012 and 2013;
- (c) the material contracts referred to in the paragraph headed “Material Contracts” to this Appendix; and
- (d) this circular.

NOTICE OF SPECIAL GENERAL MEETING



ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Eternity Investment Limited (the “**Company**”) will be held at Macau Jockey Club, 1/F Function Room, 1st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 18 December 2014 at 10:00 a.m. for the purposes of considering and, if thought fit, passing with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the disposal by Eternity Finance Group Limited, an indirect wholly owned subsidiary of the Company, of up to 1,723,854,545 ordinary shares of HK\$0.01 each in the share capital of China Star Entertainment Limited on terms more particularly set out in the Company’s circular dated 2 December 2014 (the “**Circular**”) (a copy of the Circular marked “A” and initialed by the Chairman of the Meeting for identification purpose has been tabled at the Meeting), within a period of twelve months from the date of passing of this resolution and on such other terms and conditions as may be determined by the Directors from time to time (provided that such terms and conditions shall not be inconsistent with the terms set out in the Circular) (the “**Disposal**”) be and are hereby approved; and
- (b) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents, including under seal where applicable, as he/they consider(s) necessary, desirable or expedient in his/their opinion to implement and/or give effect to the Disposal.”

NOTICE OF SPECIAL GENERAL MEETING

2. “**THAT** subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the shares of the Company (the “**Shares**”) to be issued pursuant to the exercise of options which may be granted under the Scheme Mandate Limit (as defined below) and pursuant to the share option scheme of the Company adopted on 12 December 2011 (the “**Share Option Scheme**”), approval be and is hereby generally and unconditionally granted for refreshing and renewing the Scheme Mandate Limit (as defined below) under the Share Option Scheme provided that (i) the total number of Shares which may be allotted and issued upon the exercise of the options to be granted under the Share Option Scheme and other share option schemes of the Company shall not exceed 10 per cent. of the total number of Shares in issue as at the date of passing of this resolution (the “**Scheme Mandate Limit**”); and (ii) the overall limit on the number of Shares which may be issued upon the exercise of all options to be granted and yet to be exercised under the Share Option Scheme and other share option schemes of the Company must not exceed 30 per cent. of the Shares in issue from time to time and that the Directors be and are hereby authorised, in their absolute discretion, to grant options under the Share Option Scheme up to the Scheme Mandate Limit and to exercise all the powers of the Company to allot, issue and deal with the Shares pursuant to the exercise of such options.”

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

Hong Kong, 2 December 2014

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of business
in Hong Kong:*
Unit 3811
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he/she/it so wish and in such event, the form of proxy shall be deemed to be revoked.
3. In the case of joint holders of Shares, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share(s) as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share(s) shall alone be entitled to vote in respect thereof.