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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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## ETERNITY INVESTMENT LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 764)**

### PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE AND NOTICE OF SPECIAL GENERAL MEETING

**Underwriter to the Rights Issue**



**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



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Capitalised terms used in this cover page shall have the same meanings as those defined in this circular. A letter from the Board is set out on pages 14 to 34 of this circular.

A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 35 to 36 of this circular.

A letter from Donvex Capital to the Independent Board Committee and the Independent Shareholders, containing its advice in respect of the Rights Issue and the transactions contemplated thereunder is set out on pages 37 to 55 of this circular.

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, 16 July 2015 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 SGM 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](http://www.hkex.com.hk).

Whether or not you are able to attend the SGM, 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 less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. 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.

The Shares will be dealt in on an ex-entitlements basis from Monday, 20 July 2015. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 31 July 2015 to Friday, 7 August 2015 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from Friday, 31 July 2015 to Friday, 7 August 2015 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to the Latest Time for Termination to terminate its obligations under the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out under the section headed "TERMINATION OF THE UNDERWRITING AGREEMENT" on pages 11 to 13 of this circular. If the Underwriter exercises such rights, the Rights Issue will not proceed.



26 June 2015

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>EXPECTED TIMETABLE</b> .....	9
<b>TERMINATION OF THE UNDERWRITING AGREEMENT</b> .....	11
<b>LETTER FROM THE BOARD</b> .....	14
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	35
<b>LETTER FROM DONVEX CAPITAL</b> .....	37
<b>APPENDIX I — FINANCIAL INFORMATION OF THE GROUP</b> .....	56
<b>APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP</b> .....	64
<b>APPENDIX III — GENERAL INFORMATION</b> .....	70
<b>NOTICE OF SPECIAL GENERAL MEETING</b> .....	SGM-1

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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 15 May 2015 in relation to the Rights Issue
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday, Sunday, public holiday and any day on which a tropical cyclone warning number 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China Jiu hao”	China Jiu hao Health Industry Corporation Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange under stock code: 419
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	Eternity Investment Limited, a company incorporated in Bermuda with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange under stock code: 764
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the directors of the Company

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## DEFINITIONS

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“Donvex Capital” or “Independent Financial Adviser”	Donvex Capital Limited, a corporation licensed under the SFO to carry out business in type 6 (advising on corporate finance) regulated activity and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder
“EAF(s)”	the forms of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such usual form as may be agreed between the Company and the Underwriter
“EDS”	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 GEM under stock code: 8176 and a 70.18% owned subsidiary of the Company
“First Transaction”	the proposed acquisition of the entire issued share capital of Smart Title Limited by the Company and the assignment of the shareholder’s loan to the Company at an aggregate consideration of HK\$1,650.00 million as disclosed in the Joint Announcement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Wan Shing Chi, Mr. Ng Heung Yan and Mr. Wong Tak Chuen, being all the independent non-executive Directors, established for the purpose of, among other matters, advising the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder

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## DEFINITIONS

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“Independent Shareholders”	any Shareholder other than controlling Shareholders and their associates or, where there are no controlling Shareholders, any Shareholder other than the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with any directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates
“Joint Announcement”	the joint announcement made by the Company and China Jiu hao on 15 May 2015 relating to the First Transaction
“Last Trading Day”	11 December 2014, being the last trading day prior to the suspension of trading of Shares at 9:00 a.m. on 12 December 2014
“Latest Acceptance Date”	Wednesday, 12 August 2015 or such other day as may be agreed between the Company and the Underwriter, being the latest date for the acceptance of, and payment for, the Rights Shares and the application and payment for the excess Rights Shares
“Latest Practicable Date”	24 June 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

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## DEFINITIONS

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“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 12 August 2015 or such other time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for Rights Shares and for application and payment for excess Rights Shares and if there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on such day (i) at any time before 12:00 noon and no longer in force after 12:00 noon, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; and (ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be extended to the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.
“Latest Time for Termination”	4:00 p.m. on Tuesday, 18 August 2015, being the fourth Business Day after the Latest Time for Acceptance, or such other time or date as may be agreed between the Company and the Underwriter
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Options”	the share options granted under the Share Option Schemes
“Options Shares”	maximum of 10,298,601 new Shares to be allotted and issued upon the exercise of all the 10,298,601 outstanding Options
“Ordinary EDS Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of EDS
“Overseas Letter”	a letter from the Company to the Prohibited Shareholders explaining the circumstances in which the Prohibited Shareholders are not permitted to participate in the Rights Issue
“Overseas Shareholder(s)”	the Shareholder(s) with registered address(es) (as shown in the register of members of the Company on the Record Date) is (are) outside Hong Kong

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## DEFINITIONS

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“PAL(s)”	the renounceable provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue, being in such usual form as may be agreed between the Company and the Underwriter
“PRC”	The People’s Republic of China
“Prohibited Shareholder(s)”	the Overseas Shareholder(s) whose address(es) is (are) in a place(s) outside Hong Kong where, the Directors, based on legal opinions provided by legal advisers of the Company, consider it is necessary or expedient on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s) not to offer the Rights Shares to such Overseas Shareholders
“Prospectus”	the document containing details of the Rights Issue to be despatched to the Shareholders on the Prospectus Posting Date
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Prospectus Posting Date”	Wednesday, 29 July 2015 or such other date as may be agreed between the Company and the Underwriter, being the date of despatch of the Prospectus Documents (or the Prospectus only in case of Prohibited Shareholder(s))
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Prohibited Shareholders
“Record Date”	Tuesday, 28 July 2015 or such other date as may be agreed between the Company and the Underwriter for determining entitlements to the Rights Issue
“Registrar”	Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, the Hong Kong branch share registrar and transfer office of the Company

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## DEFINITIONS

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“Rights Issue”	the proposed issue by way of rights issue to the Qualifying Shareholders on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Shares”	not less than 583,623,243 new Shares and not more than 593,921,844 new Shares to be allotted and issued under the Rights Issue
“Second Transaction”	the proposed acquisition of approximately 74.63% of the issued share capital of a company listed on GEM which was initially announced by the Company on 24 February 2015 and was terminated on 19 May 2015
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Rights Issue
“Share Option Schemes”	the respective share option schemes adopted by the Company on 21 January 2002 which was terminated on 12 December 2011 and adopted by the Company on 12 December 2011
“Share(s)”	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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Subscription Agreement”	the subscription agreement dated 17 February 2015 entered into between EDS as issuer and Xing Hang Limited, Goldenland Mining & Investment Limited, Silver Empire Holding Limited, Truly Elite Limited, High Aim Global Limited and First Bonus International Limited as subscribers relating to the proposed subscription of 345,000,000 new Ordinary EDS Shares and 30,000,000 new convertible preferred shares of par value of HK\$0.10 each in the share capital of EDS at a subscription price of HK\$0.40 per new Ordinary EDS Share/new convertible preferred share
“Subscription Price”	HK\$0.70 per Rights Share
“substantial shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs
“Twin Success”	Twin Success International Limited, a company incorporated in the British Virgin Islands with limited liability, is a substantial Shareholder
“Twin Success Undertaking”	the irrevocable undertaking given by Twin Success to the Company and the Underwriter under the Underwriting Agreement to take up in full its provisional pro-rata entitlements under the Rights Issue to subscribe for 105,708,000 Rights Shares
“Underwriter”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 (dealing in securities) regulated activity under the SFO

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## DEFINITIONS

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“Underwriting Agreement”	the underwriting agreement dated 15 May 2015 (the definitions of (i) the Latest Lodging Date, (ii) the Latest Time for Acceptance, (iii) the Prospectus Posting Date and (iv) the Record Date were subsequently amended by a deed of variation dated 20 May 2015) entered into among the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	all the Rights Shares, other than those to be taken by Twin Success under the Twin Success Undertaking, being not less than 441,965,243 Rights Shares and not more than 488,213,844 Rights Shares underwritten by the Underwriter under the Underwriting Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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## EXPECTED TIMETABLE

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Dates and times for event mentioned in the timetable are indicative only and may be extended or varied. Any changes to the following expected timetable will be announced as and when appropriate in accordance with the Listing Rules. The expected timetable for the Rights Issue is as follows:

**2015**

Despatch of circular . . . . . Friday, 26 June

Latest time for lodging transfer of Shares in order to qualify  
for attendance and voting at the SGM . . . . . 4:30 p.m. on Thursday, 9 July

Closure of register of members of the Company to  
determine the qualification for attendance and  
voting at the SGM (both days inclusive) . . . . . Friday, 10 July to Thursday, 16 July

Latest time for lodging proxy form of the SGM  
(not less than 48 hours prior to time of the SGM) . . . . . 10:00 a.m. on Tuesday, 14 July

The expected date and time of the SGM . . . . . 10:00 a.m. on Thursday, 16 July

Announcement of results of the SGM . . . . . Thursday, 16 July

Last day of dealings in Shares on cum-entitlements  
basis of the Rights Issue . . . . . Friday, 17 July

First day of dealings in Shares on ex-entitlements  
basis of the Rights Issue . . . . . Monday, 20 July

Latest time for lodging transfers of Shares in order to  
qualify for the Rights Issue . . . . . 4:30 p.m. on Tuesday, 21 July

Closure of register of members of the Company to  
determine the entitlements under the  
Rights Issue (both days inclusive) . . . . . Wednesday, 22 July to  
Tuesday, 28 July

Record Date . . . . . Tuesday, 28 July

Register of members reopens. . . . . Wednesday, 29 July

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## EXPECTED TIMETABLE

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**2015**

Despatch of Prospectus Documents . . . . .	Wednesday, 29 July
First day of dealings in nil-paid Rights Shares . . . . .	9:00 a.m. on Friday, 31 July
Latest time for splitting of nil-paid Rights Shares . . . . .	4:30 p.m. on Tuesday, 4 August
Last day of dealings in nil-paid Rights Shares . . . . .	4:00 p.m. on Friday, 7 August
Latest Time for Acceptance and payment for Rights Shares and application for excess Rights Shares . . . . .	4:00 p.m. on Wednesday, 12 August
Latest Time for Termination by the Underwriter and for conditions of the Rights Issue to become unconditional . . . . .	4:00 p.m. on Tuesday, 18 August
Announcement of the results of the Rights Issue and excess applications . . . . .	Thursday, 20 August
Despatch of share certificates for Rights Shares . . . . .	Monday, 24 August
Despatch of refund cheques if the Rights Issue is terminated . . . . .	Monday, 24 August
Expected first day of dealings in fully-paid Rights Shares on the Stock Exchange. . . . .	9:00 a.m. on Tuesday, 25 August

*Notes:*

1. All times and dates stated in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company (subject to agreement by the Underwriter). Any changes to the expected timetable will be published or notified to Shareholders as and when appropriate.
2. Effect of bad weather on the Latest Time for Acceptance: if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:
  - (i) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the Latest Acceptance Date. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
  - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take effect on the Latest Acceptance Date, the dates mentioned above may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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If, prior to the Latest Time for Termination:

- (a) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/ or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
  - (iii) save for any suspension in connection with the clearance of the announcement(s) or circular(s) relating to the First Transaction and the Second Transaction, the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (b) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) save and except for the First Transaction and the Second Transaction, any other material adverse change in the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (f) the Prospectus Documents in connection with the Rights Issue when published contain information (either as to business prospects or the financial condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a reasonably prudent investor not to apply for its assured entitlements of Rights Shares under the Rights Issue; or
- (g) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (h) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement, or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue and/or the First Transaction and the Second Transaction,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

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## **TERMINATION OF THE UNDERWRITING AGREEMENT**

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The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (a) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (b) any event occurs or matter arises on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained thereof untrue or incorrect in any material respect and which comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

Upon the giving of notice in accordance with the above, the Underwriting Agreement shall terminate and the obligations of the parties shall forthwith cease and be null and void and none of the parties shall, save in respect of any right or liability accrued before such termination, have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement.

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## LETTER FROM THE BOARD

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### 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

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent non-executive Directors:*

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

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

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

26 June 2015

*To the Shareholders and, for information only, the holders of the Options*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE  
ON THE BASIS OF ONE RIGHTS SHARE  
FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

#### **INTRODUCTION**

Reference is made to the Announcement and the announcement of the Company dated 20 May 2015 in relation to the expected timetable of the Rights Issue.

On 15 May 2015, the Company proposed to raise not less than approximately HK\$383.37 million and not more than approximately HK\$415.75 million before expenses by issuing not less than 547,673,243 Rights Shares and not more than 593,921,844 Rights Shares by way of rights issue to the Qualifying Shareholders at the Subscription Price of HK\$0.70 per Rights Share on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date and payable in full upon application.

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## LETTER FROM THE BOARD

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As at the date of the Announcement, the Company had 547,673,243 Shares in issue and 46,248,601 outstanding Options. Subsequent to the announcement of the Rights Issue, the Company allotted and issued 11,660,000 and 24,290,000 new Shares on 19 and 22 June 2015 respectively pursuant to the exercise of the subscription rights attached to the Options. As a result of the allotment and issue of 35,950,000 new Shares, the Company had 583,623,243 Shares in issue and 10,298,601 outstanding Options as at the Latest Practicable Date. Accordingly, the minimum and maximum numbers of Rights Shares to be allotted and issued under the Rights Issue are 583,623,243 and 593,921,844 respectively.

The purpose of this circular is to provide you with, among other things, further details of (i) the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from Donvex Capital to the Independent Board Committee and the Independent Shareholders setting out its recommendation in respect of the Rights Issue; and (iv) the notice of convening the SGM.

### THE RIGHTS ISSUE

As a condition precedent to the completion of the First Transaction, the Company intends to complete the Rights Issue. On 15 May 2015, the Company and the Underwriter entered into the Underwriting Agreement. The principal terms of the Rights Issue are set out as follows:

Under the Rights Issue, the Company proposed to raise not less than approximately HK\$408.54 million and not more than approximately HK\$415.75 million before expenses, details of which are set out as follows:

#### Issue statistics

Basis of the entitlement:	One (1) Rights Share for every one (1) existing Share held on the Record Date
Subscription Price:	HK\$0.70 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	583,623,243 Shares
Additional number of Shares that may be issued if all the Options Shares are allotted and issued on or before the Record Date:	10,298,601 Shares

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## LETTER FROM THE BOARD

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Number of Rights Shares to be issued:	Not less than 583,623,243 Rights Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and not more than 593,921,844 Rights Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming (i) no repurchase of Shares; and (ii) the Options Shares are fully allotted and issued on or before the Record Date)
Number of Rights Shares to be taken up or procured to be taken up by Twin Success pursuant to the Twin Success Undertaking:	Twin Success has irrevocably undertaken in favour of the Company and the Underwriter to subscribe for or procure the subscription by its associates or nominees for the 105,708,000 Rights Shares to be allotted to it under its provisional pro-rata entitlement pursuant to the Rights Issue
Number of Rights Shares underwritten by the Underwriter:	Not less than 477,915,243 Rights Shares and not more than 488,213,844 Rights Shares, representing all the Rights Shares less the number of Rights Shares undertaken by Twin Success under the Twin Success Undertaking. Accordingly, taking into account the Twin Success Undertaking, the Rights Issue is fully underwritten
Number of enlarged Shares in issue upon completion of the Rights Issue:	Not less than 1,167,246,486 Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and not more than 1,187,843,688 Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming (i) no repurchase of Shares; and (ii) the Options Shares are fully allotted and issued on or before the Record Date)
Rights in excess applications:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, save for the 10,298,601 outstanding Options, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

Assuming that (i) there will be no further issue of new Shares or repurchase of Shares from the Latest Practicable Date up to the Record Date; and (ii) all 10,298,601 outstanding Options will be fully exercised and the 10,298,601 Options Shares will be allotted and issued on or before the Record Date, the maximum number of 593,921,844 Rights Shares that may be allotted and issued pursuant to the Rights Issue represent (i) approximately 101.76% of the Company's issued share capital as at the Latest Practicable Date; and (ii) 50.00% of the Company's issued share capital of 1,187,843,688 Shares as enlarged by the allotment and issue of the 10,298,601 Options Shares and the 593,921,844 Rights Shares (being the maximum number of Rights Shares that may be allotted and issued under the Rights Issue) immediately after completion of the Rights Issue.

The aggregate nominal value of the Rights Shares will be not less than HK\$5,836,232.43 and not more than HK\$5,939,218.44.

### **Basis of entitlement**

The basis of the provisional entitlement shall be one (1) Rights Share for every one (1) existing Share held on the Record Date, being not less than 583,623,243 Rights Shares and not more than 593,921,844 Rights Shares at the Subscription Price. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Other than the 105,708,000 Rights Shares to be taken up by Twin Success under the Twin Success Undertaking, the Board has not received any information from any other Shareholders of their intention to take up their provisional pro-rata entitlements under the Rights Issue as at the Latest Practicable Date.

### **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders; and, to the extent permitted under the relevant laws and regulations and reasonably practicable, (ii) the Overseas Letter together with the Prospectus (subject to the advice given in the legal opinions provided by the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable and legally permitted), for information only, to the Prohibited Shareholders but will not send any PAL or EAF to them.

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## LETTER FROM THE BOARD

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To qualify for the Rights Issue, the Shareholders must (i) be registered on the register of members of the Company at the close of business on the Record Date; and (ii) not be a Prohibited Shareholder.

**In order to be registered as members of the Company prior to the close of business on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) for registration with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on or before Tuesday, 21 July 2015. The last day for dealing in the Shares on cum-entitlements basis of the Rights Issue will be Friday, 17 July 2015.**

### **Closure of register of members for the Rights Issue**

The Company's register of members will be closed from Wednesday, 22 July 2015 to Tuesday, 28 July 2015, both days inclusive, to determine the eligibility of the Qualifying Shareholders. No transfer of Shares will be registered during this book closure period.

### **Subscription Price**

The Subscription Price is HK\$0.70 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 4.11% to the closing price of HK\$0.73 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 2.10% to the theoretical ex-entitlement price of HK\$0.715 per Share based on the closing price of HK\$0.73 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 1.41% to the average closing price of approximately HK\$0.71 per Share for the last five consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a discount of approximately 2.64% to the average closing price of approximately HK\$0.719 per Share for the last ten consecutive trading days immediately prior to and including the Last Trading Day;

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## LETTER FROM THE BOARD

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- (e) a discount of approximately 35.78% to the closing price of HK\$1.09 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (f) a discount of approximately 82.14% to the audited consolidated net assets of the Group attributable to owners of the Company per Share of approximately HK\$3.92 as at 31 December 2014, which is based on the audited consolidated net assets of the Group attributable to owners of the Company of approximately HK\$2,144,651,000 as at 31 December 2014 and 547,673,243 Shares in issue as at 31 December 2014.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among others, the prevailing market price of the Shares under the then market conditions. The Directors consider that the terms of the Rights Issue, including the Subscription Price which has been set as a discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to share in the potential growth of the Company, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. After deducting all relevant expenses relating to the Rights Issue, the net price per Rights Share will be approximately HK\$0.683 (assuming the maximum number of 593,921,844, Rights Shares is issued).

In addition, the Subscription Price of HK\$0.70 per Rights Share is same as the issue price of the consideration Shares under the First Transaction.

### **Rights of Overseas Shareholders**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

In compliance with the necessary requirements of the Listing Rules, the Company will make enquiries with its lawyers in the relevant jurisdictions regarding the feasibility of extending the Rights Share to the Overseas Shareholders. If, based on such legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders due to either the legal restrictions of the relevant jurisdiction or the applicable requirements of the relevant regulatory body or stock exchange in that place or it is not reasonably practicable to do so, the Rights Issue will not be available to such Overseas Shareholders. Accordingly, the Rights Issue will not be extended to the Prohibited Shareholders.

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## LETTER FROM THE BOARD

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Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Rights Issue, to be despatched to the Qualifying Shareholders on the Prospectus Posting Date. The Company will send copies of the Prospectus to the Prohibited Shareholders for their information only, but no PAL and EAF will be sent to them.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Prohibited Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro-rata to the Prohibited Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefits of the Company. Any unsold entitlement of Prohibited Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by Qualifying Shareholders.

### **Ranking of the Rights Shares**

The Rights Shares, when allotted, issued and fully-paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

### **Fractions of the Rights Shares**

No fractional entitlements to the Rights Shares will be arisen as result of the Rights Issue.

### **Application for the Rights Shares**

The PAL in respect of the entitlement of the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein (or when a transferee of nil-paid Rights Shares applies for the Rights Shares) by completing such form and lodging the same with a remittance for the Rights Shares being taken up with the Registrar by the Latest Time for Acceptance.

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## LETTER FROM THE BOARD

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### **Application for excess Rights Shares**

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Prohibited Shareholders and for any Rights Shares provisionally allotted but not accepted. Applications for excess Rights Shares can only be made by completing the EAFs for application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar by no later than the Latest Time for Acceptance.

The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (a) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with the intention to abuse this mechanism; and
- (b) subject to availability of excess Rights Shares after allocation under principle (a) above, the excess Rights Shares will be allocated to Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for a smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive a lesser number of Rights Shares; whereas Qualifying Shareholders applying for a larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive a higher number of Rights Shares), and with board lot applications to be made on a best effort basis.

Investors with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:30 p.m. (Hong Kong time) on or before Tuesday, 21 July 2015.

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## LETTER FROM THE BOARD

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### **Share certificates and refund cheques for the Rights Issue**

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on Monday, 24 August 2015. If the Rights Issue is terminated, refund cheques will be despatched by ordinary post at the respective Shareholders' own risk on Monday, 24 August 2015.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms).

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Both nil-paid Rights Shares and fully-paid Rights Shares will be traded in board lots of 10,000 Shares.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

### **THE UNDERWRITING AGREEMENT**

Date: 15 May 2015

Underwriter: Kingston Securities Limited

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## LETTER FROM THE BOARD

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Number of Rights Shares to be underwritten: Not less than 441,965,243 Rights Shares and not more than 488,213,844 Rights Shares, representing all the Rights Shares less the number of Rights Shares undertaken by Twin Success under the Twin Success Undertaking. Accordingly, taking into account the Twin Success Undertaking, the Rights Issue is fully underwritten.

The Underwriter is a licensed corporation to carry on business in type 1 (dealing in securities) regulated activity under the SFO. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Underwriter and its associates are Independent Third Parties. As at the Latest Practicable Date, the Underwriter held one (1) Share.

Under the Underwriting Agreement, in the event of the Underwriter being called upon, shall subscribe for or procure subscribers for the Underwritten Shares not taken up:

- (a) the Underwriter shall not subscribe, for its own account, for such number of Underwritten Shares not taken up which will result in the shareholding of it and parties acting in concert with it in the Company to exceed 19.90% of the voting rights of the Company upon the completion of the Rights Issue; and
- (b) the Underwriter shall use its best endeavours to ensure that each of the subscribers of the Underwritten Shares not taken up procured by it, (i) shall be Independent Third Party; and (ii) save for the Underwriter itself and its associates, shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.00% or more of voting rights of the Company upon completion of the Rights Issue.

### **Underwriting Commission**

The Company will pay the Underwriter an underwriting commission of 2.50% of the aggregate Subscription Price in respect of the maximum number of the Underwritten Shares, being 488,213,844 Rights Shares. The Directors (including the independent non-executive Directors who has taken into account of the advice of the Independent Financial Adviser) are of the view that the terms of the Underwriting Agreement, including the commission, accord with the market practice, are fair and reasonable so far as the Company and the Shareholders are concerned.

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## LETTER FROM THE BOARD

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### **Irrevocable undertaking given by Twin Success**

As at the date of the Underwriting Agreement, Twin Success was interested in 105,708,000 Shares, representing approximately 19.30% of the total issued share capital of the Company. On 15 May 2015, Twin Success has irrevocably undertaken in the Twin Success Undertaking to the Company and the Underwriter:

- (a) not to sell or dispose of, or transfer, or agree to sell or dispose of, any Shares held by it from the date of the Underwriting Agreement to the close of business on the Record Date; and
- (b) to accept or procure the acceptance for the 105,708,000 Rights Shares to be allotted and issued to Twin Success under its provisional pro-rata entitlement pursuant to the Rights Issue prior to the Latest Time for Acceptance.

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon the satisfaction of the following conditions:

- (a) the passing of the necessary resolution(s) at the SGM to approve the Rights Issue (including but not limited to the allotment and issue of the Rights Shares) by the Independent Shareholders and the transactions contemplated thereunder;
- (b) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (d) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) by no later than the first day of their dealings;

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## LETTER FROM THE BOARD

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- (e) the Underwriting Agreement not having been terminated or rescinded by the Underwriter in accordance with its terms on or before the Latest Time for Termination;
- (f) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement; and
- (g) compliance with and performance of all undertakings and obligations of Twin Success under the Twin Success Undertaking.

None of the above conditions are waivable. If any of the conditions of the Rights Issue is not satisfied in whole or in part by the Company by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate and none of the parties shall, save in respect of any right or liability accrued before such termination, have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

The completion of the First Transaction is conditional upon the completion of the Rights Issue, but the completion of the Rights Issue is not conditional upon the completion of the First Transaction.

### **Termination of the Underwriting Agreement**

If, prior to the Latest Time for Termination:

- (a) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

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## LETTER FROM THE BOARD

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- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) save for any suspension in connection with the clearance of the announcement(s) or circular(s) relating to the First Transaction and the Second Transaction, the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (b) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) save and except for the First Transaction and the Second Transaction, any other material adverse change in the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

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## LETTER FROM THE BOARD

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- (f) the Prospectus Documents in connection with the Rights Issue when published contain information (either as to business prospects or the financial condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a reasonably prudent investor not to apply for its assured entitlements of Rights Shares under the Rights Issue; or
- (g) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (h) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement, or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue and/or the First Transaction and the Second Transaction,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (a) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (b) any event occurs or matter arises on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained thereof untrue or incorrect in any material respect and which comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

## LETTER FROM THE BOARD

Upon the giving of notice in accordance with the above, the Underwriting Agreement shall terminate and the obligations of the parties shall forthwith cease and be null and void and none of the parties shall, save in respect of any right or liability accrued before such termination, have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement.

### SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company before and after the completion of the Rights Issue:

- (a) Assuming no Shares (including the Options Shares) are allotted and issued or repurchased by the Company on or before the completion of the Rights Issue

	As at the Latest Practicable Date		After completion of the Rights Issue (assuming all Rights Shares are subscribed for by the Qualifying Shareholders or the transferee of the nil-paid Rights Shares)		After completion of the Rights Issue (assuming none of the Rights Shares are subscribed for by the Qualifying Shareholders other than Twin Success under the Twin Success Undertaking)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Twin Success (Note 1)	105,708,000	18.11	211,416,000	18.11	211,416,000	18.11
Mr. Chan Kin Wah, Billy (Note 3)	6,319,500	1.08	12,639,000	1.08	6,319,500	0.54
<b>Public</b>						
The Underwriter	1	0.00	2	0.00	477,915,244	40.94
Existing public Shareholders	471,595,742	80.81	943,191,484	80.81	471,595,742	40.41
<b>Total</b>	<b>583,623,243</b>	<b>100.00</b>	<b>1,167,246,486</b>	<b>100.00</b>	<b>1,167,246,486</b>	<b>100.00</b>

## LETTER FROM THE BOARD

- (b) Assuming all the Options Shares are allotted and issued but no other Shares are allotted, issued or repurchased by the Company on or before the completion of the Rights Issue

	As at the Latest Practicable Date		Upon issue of the Options Shares on or before the completion of the Rights Issue		After issue of the Options Shares on or before the completion of the Rights Issue (assuming all Rights Shares are subscribed for by the transferee of the nil-paid Rights Shares)		After issue of the Options Shares on or before the Record Date and the completion of the Rights Issue (assuming none of the Rights Shares are subscribed for by the Qualifying Shareholders other than Twin Success under the Twin Success Undertaking) (Note 2)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Twin Success (Note 1)	105,708,000	18.11	105,708,000	17.80	211,416,000	17.80	211,416,000	17.80
Mr. Lei Hong Wai (Notes 1 and 4)	—	0.00	950	0.00	1,900	0.00	950	0.00
Mr. Chan Kin Wah, Billy (Note 3)	6,319,500	1.08	6,320,450	1.06	12,640,900	1.06	6,320,450	0.53
<b>Public</b>								
The Underwriter	1	0.00	1	0.00	2	0.00	488,213,845	41.10
Existing public Shareholders	471,595,742	80.81	481,892,443	81.14	963,784,886	81.14	481,892,443	40.57
<b>Total</b>	<b>583,623,243</b>	<b>100.00</b>	<b>593,921,844</b>	<b>100.00</b>	<b>1,187,843,688</b>	<b>100.00</b>	<b>1,187,843,688</b>	<b>100.00</b>

*Notes:*

- Pursuant to the Twin Success Undertaking, Twin Success has irrevocably undertaken to the Company and the Underwriter (i) not to sell or dispose of, or transfer, or agree to sell or dispose of, any Shares held by it from the date of the Underwriting Agreement to the close of business on the Record Date; and (ii) to accept or procure the acceptance for the 105,708,000 Rights Shares to be allotted and issued to Twin Success under its provisional pro-rata entitlement pursuant to the Rights Issue prior to the Latest Time for Acceptance.
- This scenario is for illustrative purpose only and will not occur.

Under the Underwriting Agreement, in the event of the Underwriter being called upon, shall subscribe for or procure subscribers for the Underwritten Shares not taken up:

- the Underwriter shall not subscribe, for its own account, for such number of Underwritten Shares not taken up which will result in the shareholding of it and parties acting in concert with it in the Company to exceed 19.90% of the voting rights of the Company upon the completion of the Rights Issue; and

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## LETTER FROM THE BOARD

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- (ii) the Underwriter shall use its best endeavours to ensure that each of the subscribers of the Underwritten Shares not taken up procured by it, (a) shall be Independent Third Party; and (b) save for the Underwriter itself and its associates, shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.00% or more of voting rights of the Company upon the completion of the Rights Issue.
- 3. Mr. Chan Kin Wah, Billy is an executive Director holding 6,319,500 Shares and 950 Options as at the Latest Practicable Date.
- 4. Mr. Lei Hong Wai is an executive Director holding 50.00% beneficial interest in Twin Success and 950 Options as at the Latest Practicable Date.

### **EFFECTS OF THE RIGHTS ISSUE ON CONSOLIDATED NET TANGIBLE ASSETS AND CONSOLIDATED NET TANGIBLE ASSETS PER SHARE**

According to the unaudited pro forma financial information of the Group as set out in Appendix II to this circular, the audited consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2014 is approximately HK\$3.75, which is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company of HK\$2,055,386,000 as at 31 December 2014 divided by 547,673,243 Shares in issue as at 31 December 2014.

As set out in Appendix II to this circular, on the basis of a minimum of 583,623,243 Rights Shares is allotted and issued under the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2014 immediately after the completion of the Rights Issue is HK\$2,478,428,000 and the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2014 immediately after the completion of the Rights Issue is approximately HK\$2.12, which is based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company of HK\$2,478,428,000 as at 31 December 2014 immediately after the completion of the Rights Issue divided by 1,167,246,486 Shares in issue immediately after the completion of the Rights Issue.

As set out in Appendix II to this circular, on the basis of a maximum of 593,921,844 Rights Shares is allotted and issued under the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2014 immediately after the completion of the Rights Issue is HK\$2,555,228,000 and the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2014 immediately after the completion of the Rights Issue is approximately HK\$2.15, which is based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company of HK\$2,555,228,000 as at 31 December 2014 immediately after the completion of the Rights Issue divided by 1,187,843,688 Shares in issue immediately after the completion of the Rights Issue.

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## LETTER FROM THE BOARD

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### REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

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, money lending, property investment, design and sale of jewelry products, and development, distribution and marketing of personal care treatments, products and services.

The gross proceeds from the Rights Issue will not be less than approximately HK\$408.54 million and not more than approximately HK\$415.75 million. The net proceeds from the Rights Issue after deducting all relevant expenses are estimated to be not less than approximately HK\$398.24 million but not more than approximately HK\$405.44 million.

The Company intends to apply the proceeds from the Rights Issue for financing the First Transaction, or in the event that the First Transaction do not proceed, future possible property investment project(s) as and when appropriate. As at the Latest Practicable Date, apart from the First Transaction, the Group had not identified any other property investment projects.

The Board also considers that the Rights Issue represents an opportunity for broadening its shareholder and capital base thereby increasing the liquidity of the Shares. As such, the Directors (including the independent non-executive Directors who has taken into account of the advice of the Independent Financial Adviser) consider that the Underwriting Agreement is entered into upon normal commercial terms and that the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

### FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company had not conducted any fund raising exercise in the past 12 months immediately preceding the date of the Announcement and the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### ADJUSTMENTS TO OPTIONS

As at the Latest Practicable Date, the Company had 10,298,601 outstanding Options entitling the holders thereof to subscribe for 10,298,601 Options Shares. Adjustments to the exercise prices and numbers of the outstanding Options may be required under the relevant terms of the Share Option Schemes. The auditor of the Company will be appointed to certify the necessary adjustments, if any, to the exercise prices and numbers of the outstanding Options. Further announcement will be made by the Company in this regard.

### IMPLICATIONS UNDER THE LISTING RULES

In accordance with Rule 7.19(6)(a) of the Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders by way of poll at the SGM on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, the Company had no controlling Shareholder. Therefore, the Directors and their respective associates shall be required to abstain from voting in favour of the Rights Issue. Accordingly, (i) Twin Success, which is an associate of Mr. Lei Hong Wai, Mr. Cheung Kwok Wai, Elton and Mr. Cheung Kwok Fan (all of them are executive Directors) and held 105,708,000 Shares as at the Latest Practicable Date; and (ii) Mr. Chan Kin Wah, Billy (an executive Director) who held 6,319,500 Shares as at the Latest Practicable Date, are therefore required to abstain from voting in favour of the resolution approving the Rights Issue and the transactions contemplated thereunder at the SGM.

The Rights Issue is conditional on, among other things, the relevant resolution being approved by the Independent Shareholders by way of poll at the SGM. The Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and as to voting in respect thereof at the SGM. Donvex Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM THE BOARD

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### **WARNING OF THE RISK OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS SHARES**

Shareholders and potential investors should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Rights Issue may or may not proceed.

The Shares will be dealt in on an ex-entitlements basis from Monday, 20 July 2015. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 31 July 2015 to Friday, 7 August 2015 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from Friday, 31 July 2015 to Friday, 7 August 2015 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

Shareholders and potential investors should exercise extreme caution when dealing in the Shares and the nil-paid Rights Shares, and if they are in any doubt about their position, they should consult their professional advisers.

### **THE SGM**

A notice convening the SGM to be held at 10:00 a.m. on Thursday, 16 July 2015 at Macau Jockey Club, 1/F Function Room, 1st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular for the purpose of considering and, if thought fit, approving the Rights Issue.

A proxy form for use by the Shareholders at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon and return it to the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment of it, if you so wish.

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## LETTER FROM THE BOARD

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Subject to the Rights Issue being approved at the SGM, the Prospectus or Prospectus Documents, where appropriate, containing further information on the Rights Issue will be despatched to the Shareholders as soon as practicable.

### RECOMMENDATION

The Directors (including the independent non-executive Directors whose view is provided in the letter of the Independent Board Committee set out in this circular) believe that the terms of the Rights Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Rights Issue.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 35 to 36 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from Donvex Capital set out on pages 37 to 55 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

### 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.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue.*



### **ETERNITY INVESTMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 764)**

26 June 2015

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE  
ON THE BASIS OF ONE RIGHTS SHARE  
FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 26 June 2015 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable as far as the Independent Shareholders are concerned.

Donvex Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether terms of the Rights Issue are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole. Details of the recommendation, together with the principal factors and reasons taken into consideration in arriving at such recommendation, are set out on pages 37 to 55 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 14 to 34 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the terms of the Rights Issue and the advice from Donvex Capital, we are of the opinion that the Rights Issue is on normal commercial terms, in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,

**The Independent Board Committee**

**Wan Shing Chi**

*Independent non-executive*

*Director*

**Ng Heung Yan**

*Independent non-executive*

*Director*

**Wong Tak Chuen**

*Independent non-executive*

*Director*

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## LETTER FROM DONVEX CAPITAL

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*The following is the full text of the letter from Donvex Capital setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



Unit 1305, 13th Floor,  
Carpo Commercial Building  
18-20 Lyndhurst Terrace  
Central  
Hong Kong

26 June 2015

*The Independent Board Committee and the Independent Shareholders of  
Eternity Investment Limited*

Dear Sirs,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 26 June 2015 to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalized terms used herein have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

On 15 May 2015, the Company announced that it proposed to raise not less than approximately HK\$383.37 million and not more than approximately HK\$415.75 million before expenses by issuing not less than 547,673,243 Rights Shares and not more than 593,921,844 Rights Shares by way of rights issue to the Qualifying Shareholders at the Subscription Price of HK\$0.70 per Rights Share on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date and payable in full upon application.

As at the date of the Announcement, the Company had 547,673,243 Shares in issue and 46,248,601 outstanding Options. Subsequent to the announcement of the Rights Issue, the Company allotted and issued 11,660,000 and 24,290,000 new Shares on 19 and 22

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## LETTER FROM DONVEX CAPITAL

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June 2015 respectively pursuant to the exercise of the subscription rights attached to the Options. As a result of the allotment and issue of 35,950,000 new Shares, the Company had 583,623,243 Shares in issue and 10,298,601 outstanding Options as at the Latest Practicable Date. Accordingly, the minimum and maximum numbers of Rights Shares to be allotted and issued under the Rights Issue are 583,623,243 and 593,921,844 respectively.

Since the Rights Issue will increase the issued share capital of the Company by more than 50% within the twelve-month period immediately preceding the date of the Announcement, the Rights Issue is conditional on the approval by the Independent Shareholders at the SGM by way of poll in accordance with Rule 7.19(6)(a) of the Listing Rules.

As at the Latest Practicable Date, the Company had no controlling Shareholder. Therefore, the Directors and their respective associates shall be required to abstain from voting in favour of the Rights Issue. Accordingly, (i) Twin Success, which is an associate of Mr. Lei Hong Wai, Mr. Cheung Kwok Wai, Elton and Mr. Cheung Kwok Fan (all of them are executive Directors) and holding 105,708,000 Shares as at the Latest Practicable Date; and (ii) Mr. Chan Kin Wah, Billy (an executive Director) who holds 6,319,500 Shares as at the Latest Practicable Date, are therefore required to abstain from voting in favour of the resolution approving the Rights Issue and the transactions contemplated thereunder at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors namely Mr. Wan Shing Chi, Mr. Ng Heung Yan and Mr. Wong Tak Chuen, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and as to voting in respect thereof at the SGM. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are independent from, and not connected with any members of the Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates and accordingly, are qualified to give an independent advice in respect of the Rights Issue.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is

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## LETTER FROM DONVEX CAPITAL

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untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true up to the Latest Practicable Date and should there be any material changes after the despatch of the Circular, Shareholders would be notified as soon as possible.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of independent in-depth investigation or audit into the businesses or affairs or future prospects of the Group.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our recommendation in respect of the Rights Issue, we have taken into consideration the following principal factors and reasons:

#### **1. Background information of the Company**

##### *Principal business*

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, money lending, property investment, design and sale of jewelry products, and development, distribution and marketing of personal care treatments, products and services.

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## LETTER FROM DONVEX CAPITAL

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### *Historical financial information*

The following table summarises the financial results of the Group for each of the two years ended 31 December 2013 and 2014 as extracted from the annual report of the Group for the financial year ended 31 December 2014 (the “**Annual Report**”).

	<b>For the year ended 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	110,755	25,793
Gross profit	83,754	25,793
Profit before taxation	232,874	106,103
Profit for the year	225,300	97,237
Profit for the year attributable to owners of the Company	238,077	97,238

	<b>As at 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	2,243,314	1,851,699
Total liabilities	86,873	26,330
Net assets	2,156,441	1,825,369

As stated above, during the year ended 31 December 2014, the Group recorded its revenue of approximately HK\$110.76 million, representing an increase of 329.40% from approximately HK\$25.79 million for the previous year. The significant increase in turnover was attributable to the active expansion of the Group’s money lending business in the second half of 2013 and the first half of 2014.

Profit for the year attributable to owners of the Company for the year ended 31 December 2014 from continuing and discontinued operations amounted to approximately HK\$238.08 million, representing an increase of 144.84% from approximately HK\$97.24 million for the previous year, of which profit for the year from continuing operations amounted to approximately HK\$225.15 million, an increase of 123.94% as compared to approximately HK\$100.54 million for the previous year. Such increase was mainly attributable to an increase in gain of approximately HK\$117.31 million arising on change in fair value upon conversion of convertible notes receivables and a gain of approximately HK\$66.88 million arising

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## LETTER FROM DONVEX CAPITAL

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on disposal of available-for-sale financial assets, which were partially offset by an impairment loss of approximately HK\$46.52 million recognised in respect of other receivables.

As at 31 December 2014, the cash and cash equivalents of the Group amounted to approximately HK\$384.78 million (2013: approximately HK\$662.15 million). The gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of the Company was 0.48% as at 31 December 2014 (2013: nil). The increase in gearing ratio was due to the borrowings acquired through the acquisition of EDS during the year. As at 31 December 2014, the Group had outstanding borrowings of approximately HK\$10.37 million (2013: nil).

In view of the decrease in cash and cash equivalents of the Group as well as its negative cash flows from operating activities, we consider that the Rights Issue could represent an opportunity for broadening its shareholder and capital base thereby increasing the liquidity of the Shares. Moreover, the Group could improve its liquidity position from the Rights Issue for any future investment activities.

### **2. Reasons for the Rights Issue and use of proceeds**

As stated in the Letter from the Board, the Company intends to apply the proceeds from the Rights Issue for financing the First Transaction, or in the event that the First Transaction do not proceed, future possible property investment project(s) as and when appropriate. As at the Latest Practicable Date, apart from the First Transaction, the Group had not identified any other property investment projects.

As disclosed in the Joint Announcement, on 11 December 2014, the Company entered into a conditional agreement with a third party to acquire the entire shareholding interest in Smart Title Limited and the assignment of the shareholder's loan due by Smart Title Limited for a total consideration of HK\$1,650 million. Smart Title Limited is principally engaged in the provision of recreational and wellness services through the management of a membership-based luxury club comprising business hotel facilities, retail shops and golf academy in Asia. We have discussed with the management of the Company regarding the First Transaction and noted that the Group intends to hold the above interest as one of its long-term investment for rental purposes. It is in the Directors' view that the First Transaction will not only diversify the revenue source of the Group, but also provide a stable revenue stream to the Group.

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## LETTER FROM DONVEX CAPITAL

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As advised by the management of the Company, the First Transaction will be partly funded by the net proceeds from the Rights Issue and the completion of the First Transaction is conditional upon the completion of the Rights Issue. Taking into account the above factors and reasons, we consider that the Rights Issue represents an opportunity for the Group to improve its working capital and strengthen its capital base and financial position. Upon completion of the Rights Issue, the Group will be in a better liquidity position to capture the potential business opportunity from the First Transaction and to enhance its earning potential, and therefore increase the overall value of the Shares. It is reasonable for the Company to maintain a strong capital base and obtain funding for its business development and operation through the Rights Issue, we are of the view that it is in the interests of the Company and the Shareholders as a whole to raise the capital through the Rights Issue since it would allow the Qualifying Shareholders to maintain their respective proportionate shareholding interests in the Company and participate in the future growth and development of the Group.

### *Other financing alternatives available to the Group*

As stated in the Letter from the Board, the Company has not conducted any fund raising exercises in the past 12 months immediately preceding the Latest Practicable Date. We have discussed with the management of the Company regarding other financing methods such as bank borrowings, share placement and open offer. In the view that new bank borrowings would result in additional interest burden and higher gearing ratio of the Group, share placement may necessarily dilute the shareholding in the Company of the existing Shareholders; and although both open offer and rights issue would allow Shareholders to maintain their proportionate shareholding interests in the Company, a rights issue would also allow those Shareholders who do not want to participate in the fund raising of the Company to dispose of their rights shares entitlements in the market in nil-paid form, accordingly, we concur with the Board's view that raising funds by way of Rights Issue is in the interests of the Company and the Shareholders as a whole.

Having considered (i) the Rights Issue can enhance the capital base and liquidity position of the Group for its business expansion and development; (ii) the Rights Issue is a preferred source of financing over other alternative fund raising methods; and (iii) the estimated net proceeds of the Rights Issue will be used to finance the First Transaction in order to facilitate the growth of the Group in near term, we consider that the reasons for the Rights Issue are justifiable.

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## LETTER FROM DONVEX CAPITAL

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### 3. Principal terms of the Rights Issue

Under the Rights Issue, the Company proposed to raise not less than approximately HK\$408.54 million and not more than approximately HK\$415.75 million before expenses. The table below summarises the issue statistics of the Rights Issue:

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) existing Share held on the Record Date
Subscription Price	:	HK\$0.70 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	583,623,243 Shares
Additional number of Shares that may be issued if all the Options Shares are allotted and issued on or before the Record Date	:	10,298,601 Shares
Number of Rights Shares to be issued	:	Not less than 583,623,243 Rights Shares and not more than 593,921,844 Rights Shares
Number of enlarged Shares in issue upon completion of the Rights Issue	:	Not less than 1,167,246,486 Shares and not more than 1,187,843,688 Shares

As at the Latest Practicable Date, save for the outstanding 10,298,601 Options, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

Assuming that (i) there will be no further issue of new Shares or repurchase of Shares from the Latest Practicable Date up to the Record Date; and (ii) all 10,298,601 outstanding Options will be fully exercised and the 10,298,601 Options Shares will be allotted and issued on or before the Record Date, the maximum number of 593,921,844 Rights Shares that may be allotted and issued pursuant to the Rights Issue represent (i) approximately 101.76% of the Company's issued share capital as at the Latest Practicable Date; and (ii) 50.00% of the Company's issued share capital of 1,187,843,688 Shares as enlarged by the allotment and issue of the 10,298,601 Options Shares and the 593,921,844 Rights Shares (being the maximum number of Rights Shares that may be allotted and issued under the Rights Issue) immediately after completion of the Rights Issue.

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## LETTER FROM DONVEX CAPITAL

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### *Subscription Price*

The Subscription Price of HK\$0.70 per Rights Share will be payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

- (a) a discount of approximately 4.11% to the closing price of HK\$0.73 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 2.10% to the theoretical ex-entitlement price of approximately HK\$0.715 per Share based on the closing price of HK\$0.73 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 1.41% to the average closing price of approximately HK\$0.71 per Share for the last five consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a discount of approximately 2.64% to the average closing price of approximately HK\$0.719 per Share for the last ten consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a discount of approximately 35.78% to the closing price of HK\$1.09 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (f) a discount of approximately 82.14% to the audited consolidated net assets of the Group attributable to owners of the Company per Share of approximately HK\$3.92 as at 31 December 2014 (based on the audited consolidated net assets of the Group attributable to owners of the Company of approximately HK\$2,144,651,000 as at 31 December 2014 and 547,673,243 Shares in issue as at 31 December 2014).

### *Historical share price performance*

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the trading price of the Shares for a twelve-month period from 1 May 2014 up to the Last Trading Day and prior to the date of the Underwriting Agreement (the “**Review Period**”), for the purpose of illustrating the trend of the share price performance of the Shares. As trading of the Shares was suspended from

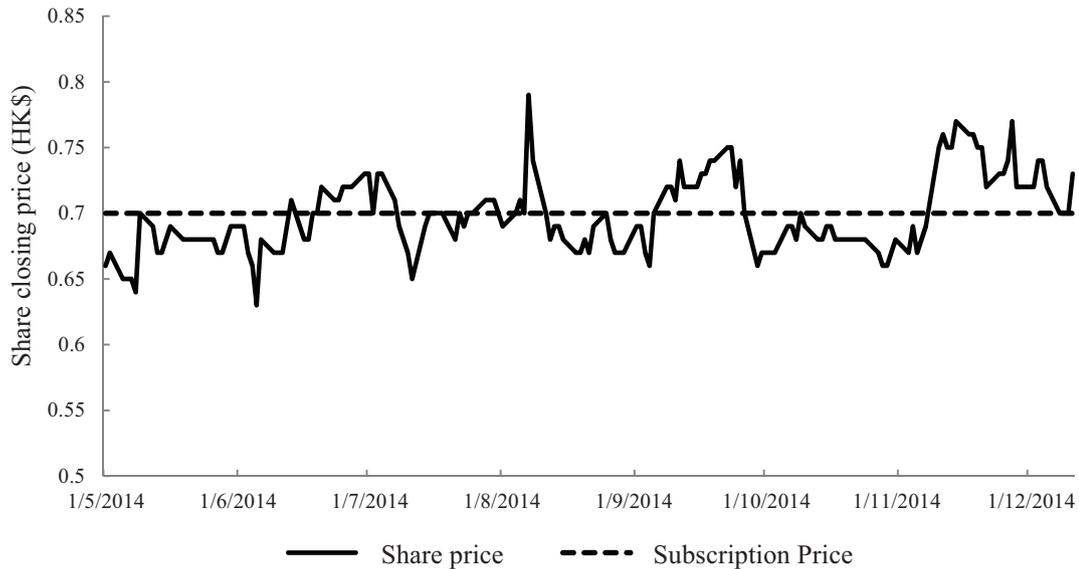
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## LETTER FROM DONVEX CAPITAL

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12 December 2014 to 15 May 2015 (i.e. the date of Underwriting Agreement) during the Review Period, the graph below illustrates the daily closing price of the Shares versus the Subscription Price of HK\$0.70 from 1 May 2014 onwards up to the Last Trading Day:

**Daily Closing Price of the Shares during the Review Period**



*Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))*

According to the management of the Company, the Subscription Price of HK\$0.70 per Rights Share is same as the issue price of the consideration Shares under the First Transaction, which was determined after arm's length negotiations between the Company and the Underwriter with reference to, among others, the prevailing market price of the Shares under the then market conditions. As shown in the table above, we noted that the Shares had been traded within a narrow price range from HK\$0.65 to HK\$0.75 during the Review Period and only a total of 8 trading days were closed outside the said range. The highest closing price and the lowest closing price of the Shares were HK\$0.79 on 7 August 2014 and HK\$0.63 on 5 June 2014, respectively. As the Rights Shares are offered to all Qualifying Shareholders, we are advised by the Directors that they would like to set the Subscription Price at a discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to share in the potential growth of the Company.

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## LETTER FROM DONVEX CAPITAL

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Having considered (i) the past share price performance of the Company as shown above; and (ii) a discount represented by the subscription prices to the prevailing market prices of the relevant shares so as to enhance the attractiveness of rights issue/open offer exercises as discussed in section headed “Comparison with other rights issues/open offers” below, we consider that the proposed discount rate of the Subscription Price to the prevailing market price of the Shares is appropriate and in line with general market practice.

### *Comparison with other rights issues/open offers*

To further assess the fairness and reasonableness of the Rights Issue, we have selected and reviewed 31 rights issue/open offer transactions announced by companies (the “**Comparables**”) listed on the Stock Exchange for the three-month period from 16 February 2015 up to and including the date of the Underwriting Agreement (the “**Comparable Period**”), which is considered to be exhaustive, relevant and comprehensive for comparison purpose. However, given the discrepancies of Comparables with the Group in terms of their business nature, financial position and future prospects, we consider that the Comparables might not constitute close reference with the Rights Issue but could be used to provide a general reference to the recent market practice in rights issue transactions by the listed companies in Hong Kong. Since the Comparables are the most recent rights issue/open offer transactions announced to the public, we consider that the Comparables could represent the recent trend of the rights issue/open offer transactions in the prevailing market condition for the terms of the Rights Issue. During the Comparable Period, we have identified a company named Joy City Property Limited (stock code: 207) that is not appropriate for comparison mainly because such rights issue transaction was not proceeded on a fully underwritten basis, which was different from the Rights Issue that will be proceeded on a fully underwritten basis. Therefore, we have excluded this rights issue transaction in our comparables analysis.

The remaining 30 rights issue/open offer transactions which form an exhaustive list of rights issues/open offers as summarised in the table below, were selected based on (i) the relevant underwriting agreements were entered into with the respective underwriters on an arm’s length basis, of which are legally binding; and (ii) it is uncommon for the terms of the rights issues and/or open offers to be changed after the prospectuses are published; and therefore we consider the said table to be representative. We are of the view that the selection of such approximately three months period is sufficient and appropriate for our analysis of fund raising exercises such as rights issues or open offers, as the market sentiment at the relevant time in

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## LETTER FROM DONVEX CAPITAL

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general plays an important role in the determination of the subscription price, while reasonable number of such fund raising exercises could be included for reference purposes. Nevertheless, Shareholders should note that the businesses, operations and prospects of the Company are not exactly the same as the Comparables and we have not conducted any in-depth investigation into the businesses, operations and prospects of the Comparables. Details regarding the Comparables are set out below:

Date of announcement	Company	Stock code	Basis of entitlement	Discount of	Discount of	Underwriting commission (%)	Potential maximum dilution of shareholding (%)
				subscription price to closing price on last trading day or the date of announcement (approximate %) (Note 1)	to the theoretical ex-entitlement price on last trading day or the date of announcement (approximate %) (Note 1)		
14/5/2015	Capital Estate Limited	193	1 for 2	34.5	26.1	2.0	33.3
13/5/2015	Mastermind Capital Limited	905	2 for 1	59.5	28.1	1.0 & 3.5 (Note 3)	66.7
8/5/2015	Merdeka Mobile Group Limited	8163	2 for 1	76.6	52.1	2.5	66.7
4/5/2015	Shihua Development Company Limited	485	2 for 1 (Note 4)	85.2	49.1	2.5	83.3
4/5/2015	China Vehicle Components Technology Holdings Limited	1269	1 for 1	86.8	76.6	2.0	50.0
30/4/2015	South China Financial Holdings Limited	619	1 for 2	42.5	32.9	1.0	33.3
28/4/2015	Hua Han Bio-Pharmaceutical Holdings Limited	587	1 for 2	43.5	33.9	2.5	33.3
24/4/2015	RCG Holdings Limited	802	5 for 1	78.4	37.8	2.0	83.3
24/4/2015	Hong Kong Education (Int'l) Investments Limited	1082	4 for 1 (Note 5)	70.0	25.0	3.5	85.7
21/4/2015	Capital Environment Holdings Limited	3989	1 for 1	25.0	15.1	0.0	50.0
17/4/2015	China Culiangwang Beverages Holdings Limited	904	2 for 1	77.8	53.8	HK\$20,635,167 or 2.5 (Note 6)	66.7
17/4/2015	Media Asia Group Holdings Limited	8075	1 for 2	38.8	29.8	1.5	33.3

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**LETTER FROM DONVEX CAPITAL**

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Date of announcement	Company	Stock code	Basis of entitlement	Discount of	Discount of	Underwriting commission (%)	Potential maximum dilution of shareholding (%)
				subscription price to closing price on last trading day or the date of announcement (approximate %) (Note 1)	to the theoretical ex-entitlement price on last trading day or the date of announcement (approximate %) (Note 1)		
14/4/2015	Century Sunshine Group Holdings Limited	509	1 for 2	47.4	37.5	1.5	33.3
13/4/2015	Jun Yang Solar Power Investments Limited	397	1 for 2	25.7	76.6	2.0	50.0
9/4/2015	Hanny Holdings Limited	275	6 for 1	74.2	29.1	3.0	85.7
8/4/2015	Seamless Green China (Holdings) Limited	8150	1 for 2	17.1	12.1	1.5	33.3
1/4/2015	Richly Field China Development Limited	313	1 for 3	0.0	0.0	0.0	25.0
31/3/2015	EPI (Holdings) Limited	689	1 for 2	45.1	35.3	1.0	33.3
31/3/2015	Powerwell Pacific Holdings Limited	8265	1 for 2	24.7	17.9	2.0	33.3
26/3/2015	Wai Yuen Tong Medicine Holdings Limited	897	1 for 2	31.7	23.4	2.5	33.3
26/3/2015	Emperor Capital Group Limited	717	1 for 2	32.4	24.2	3.0	33.3
24/3/2015	Chinese Energy Holdings Limited	8009	1 for 1	40.5	25.4	2.5	50.0
18/3/2015	Haitong International Securities Group Limited	665	1 for 1	33.7	20.3	(Note 7)	50.0
18/3/2015	Celebrate International Holdings Limited	8212	30 for 1	92.9	29.7	3.0	96.8
13/3/2015	Capital VC Limited	2324	7 for 1	76.6	28.6	1.0	87.5
11/3/2015	Larry Jewelry International Company Limited	8351	9 for 1	84.7	35.6	2.5	90.0
27/2/2015	Heng Fai Enterprises Limited	185	1 for 10	11.5	10.6	2.5	9.1
24/2/2015	GET Holdings Limited	8100	3 for 1	59.8	27.1	3.5	75.0

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## LETTER FROM DONVEX CAPITAL

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Date of announcement	Company	Stock code	Basis of entitlement	Discount of subscription price		Underwriting commission (%)	Potential maximum dilution of shareholding (%)
				Discount of subscription price to closing price on last trading day or the date of announcement (approximate %) (Note 1)	Discount of subscription price to the theoretical ex-entitlement price on last trading day or the date of announcement (approximate %) (Note 1)		
17/2/2015	Shanghai Tonva Petrochemical Co., Ltd.	1103	4.5 for 10	6.0	4.3	1.0	31.0
17/2/2015	Get Nice Holdings Limited	64	1 for 2	21.1	15.2	1.0	33.3
			Maximum	92.9	76.6	0.0	96.8
			Minimum	0	0	3.5	9.1
			Average	48.1	30.4		
	<b>The Company</b>		<b>1 for 1</b>	<b>4.1</b>	<b>2.1</b>	<b>2.5</b>	<b>50.0</b>

Source: The Stock Exchange

Notes:

- Based on the figures disclosed in the initial announcement of the Comparables respectively.
- Maximum dilution effect of each rights issue/open offer is calculated as: (number of new shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the new shares under the basis of entitlement + number of new shares to be issued under the basis of entitlement) x 100%.
- There are two underwriters for the open offer conducted by this comparable. The underwriting commissions to the two underwriters are 1% and 3.5% respectively.
- The rights issue was conducted by this comparable on the basis of 2 rights shares for every 1 share held on the record date with the bonus issue on the basis of 3 bonus shares for every 2 rights shares taken up under the rights issue.
- The rights issue was conducted by this comparable on the basis of 4 rights shares for every 1 share held on the record date with the bonus issue on the basis of 1 bonus share for every 2 rights shares taken up under the rights issue.
- The commission amount was fixed at HK\$20,635,167, which represents approximately 2.5% of the subscription price of the maximum number of the underwritten shares.
- The company did not disclose the underwriting commission in the respective announcement and thus, it is excluded from the calculation of maximum, minimum and average underwriting commission in term of percentage.

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## LETTER FROM DONVEX CAPITAL

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As indicated in the table above, the subscription prices of almost all of the Comparables are set at discounts to relevant market price, ranging from a discount of approximately 0% to 92.9%, with an average discount of approximately 48.1%. The discount of approximately 4.1% to the closing price of the Shares on the Last Trading Day as represented by the Subscription Price hence falls within the said market range.

Furthermore, the subscription prices of the Comparables are set at discounts of approximately 0% to 76.6% to the respective theoretical ex-entitlement prices of their shares on the last trading days or date of announcements. The discount of approximately 2.1% to the theoretical ex-entitlement price as represented by the Subscription Price hence also falls within the said market range.

Having taken into account (i) the discount represented by the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the relevant range of the Comparables; (ii) the discount represented by the Subscription Price to the theoretical ex-entitlement price of the Shares on the Last Trading Day also falls within the relevant range of the Comparables; (iii) it is inevitable for the Comparables to set their subscription prices at a discount to the prevailing market prices of the relevant shares in order to enhance the attractiveness of rights issue/open offer exercises; (iv) the deeper discounts of approximately 35.78% and 82.14% represented by the Subscription Price to the closing price of the Shares on the Latest Practicable Date and to the audited consolidated net assets of the Group attributable to owners of the Company per Share as at 31 December 2014 respectively as shown in the paragraph headed “Subscription Price” above would be easier to attract more Qualifying Shareholders to participate in the Rights Issue and accordingly maintain their shareholding interests in the Company by subscribing for their pro-rata provisional entitlement of the Rights Issue and hence avoid dilution and participate as fully as they wish in the future growth of the Group by way of applying for excess Rights Shares; (v) the Group will be in a better liquidity position upon completion of the Rights Issue in order to capture the potential business opportunity from the First Transaction and enhance its earning potential; (vi) the potential 50% dilution effect by the Rights Issue as stated in the section headed “Potential dilution effect on the interests of the Independent Shareholders” is not prejudicial to the Independent Shareholders’ interests in the Company if they choose to subscribe for their full entitlement of the Rights Shares, as it is an opportunity of participating in the future benefits brought by the Group for investing in the First Transaction; and (vii) the interest of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price as long as they are offered with an equal opportunity to participate in the Rights Issue, we consider that a deeper discount on

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## LETTER FROM DONVEX CAPITAL

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the Subscription Price, which is within the range represented by the Comparables is inevitable for the Company to encourage the Qualifying Shareholders to participate in the Rights Issue. Therefore, we consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **4. Underwriting Agreement**

Pursuant to the Underwriting Agreement, the Underwriter has agreed to fully underwrite not less than 441,965,243 Rights Shares and not more than 488,213,844 Rights Shares, representing all the Rights Shares less the number of Rights Shares undertaken by Twin Success under the Twin Success Undertaking. Details on the conditions of the Underwriting Agreement are stated in the section headed “THE UNDERWRITING AGREEMENT” in the Letter from the Board.

The Company will pay the Underwriter an underwriting commission of 2.5% of the aggregate Subscription Price in respect of the maximum number of the Underwritten Shares, being 488,213,844 Rights Shares. As indicated in the table under the paragraph headed “Comparison with other rights issues/open offers”, we noted that the underwriting commission charged by the underwriters for the Comparables were ranged from nil to 4.0%. We therefore consider that underwriting commission of 2.5% for the Rights Issue under the Underwriting Agreement accords with and does not deviate from market practice, and is fair and reasonable.

#### **5. Excess application for Rights Shares**

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Prohibited Shareholders and for any Rights Shares provisionally allotted but not accepted. Applications for excess Rights Shares can only be made by completing the EAFs for application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. For details of application, please refer to the Letter from the Board. We are of the view that the above excess application mechanism is fair and reasonable to Independent Shareholders as Qualifying Shareholders are given the first rights to subscribe for any Rights Shares not taken up before the Underwriter.

Taking into account the above principal terms of the Rights Issue and the Underwriting Agreement, we consider that the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM DONVEX CAPITAL

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### 6. Potential dilution effect on the interests of the Independent Shareholders

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

As in all other cases of rights issues and open offers, dilution on the shareholdings of those Qualifying Shareholders who do not take up in full their assured entitlements under the Rights Issue is inevitable. Nonetheless, Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market for economic benefits. In such case, where all Qualifying Shareholders do not accept the Rights Issue and hence the Underwriter is obligated to take up the unsubscribed Rights Shares, the shareholding interests of the Qualifying Shareholders in the Company will be diluted by a maximum of 50.0%. Details of such dilution effect are presented in the table under the section headed “SHAREHOLDING STRUCTURE OF THE COMPANY” in the Letter from the Board.

We are aware of the potential dilution effects aforementioned. Nonetheless, we consider that the foregoing should be balanced against by the following factors:

- (i) Independent Shareholders are given the chances to express their views on the terms of the Rights Issue and the Underwriting Agreement through their votes at the SGM;
- (ii) Qualifying Shareholders have their choices of whether to accept the Rights Issue or not;
- (iii) Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market;
- (iv) the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at discount as compared to the prevailing market prices of the Shares; and
- (v) those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue.

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## LETTER FROM DONVEX CAPITAL

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In addition, we noted from the Comparables as detailed in the table under the paragraph headed “Comparison with other rights issues/open offers” that the maximum dilution led by rights issue transactions on the shareholdings of the then existing public shareholders of the relevant listed companies ranged from approximately 9.1% to 96.8%. As such, the maximum dilution on the shareholding interests of the existing public Shareholders of 50.0% as a result of the Rights Issue falls within the said market range.

Having considered the above, we concur with the Directors’ view that the potential dilution to the shareholding interests of the existing public Shareholders in the Company, which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, is acceptable.

### **7. Financial effects of the Rights Issue**

#### *Adjusted consolidated net tangible assets*

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the audited consolidated net tangible assets of the Group attributable to owners of the Company is approximately HK\$2,055.39 million as at 31 December 2014. After taking into account the inflow of the estimated net proceeds from the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company would increase to approximately HK\$2,478.43 million (on the basis that a minimum of 583,623,243 Rights Shares are issued).

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the audited consolidated net tangible assets of the Group attributable to owners of the Company per Share before the Rights Issue is approximately HK\$3.75. Immediately after completion of the Rights Issue, the total number of Shares would increase to 1,167,246,486 Shares (on the basis that a minimum of 583,623,243 Rights Shares are issued), the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share will decrease to approximately HK\$2.12.

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## LETTER FROM DONVEX CAPITAL

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### *Working capital*

According to the Annual Report, the audited net current assets of the Group were approximately HK\$1,695.23 million as at 31 December 2014. Immediately after completion of the Rights Issue, the net current assets of the Group will increase by not less than approximately HK\$398.24 million. In this regard, we are of the view that the Rights Issue will improve the liquidity position of the Group.

Based on the foregoing, although the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share will be diminished, the Rights Issue will enhance the net asset value and improve the liquidity position of the Group. Hence, we are of the view that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

### **RECOMMENDATION**

Taken into account the principal factors and reasons regarding the Rights Issue including:

- (a) the Rights Issue could represent an opportunity for the Group to enhance its working capital and strengthen its capital base and financial position;
- (b) the Rights Issue would be a preferred method of equity financing as it will allow all the Qualifying Shareholders to maintain their proportionate shareholding interests in the Company and to participate in the future growth and development of the Company;
- (c) the Rights Issue provides the Qualifying Shareholders who decide not to take up their entitlements under the Rights Issue with the opportunity to sell the nil paid Rights Shares in the market for economic benefits;
- (d) the discount of the Subscription Price to the prevailing market price is necessary to encourage the Qualifying Shareholders to participate in the Rights Issue;
- (e) the major terms of the Underwriting Agreement is in line with the general market practice;
- (f) the inherent dilution effect is not prejudicial to the Independent Shareholders' interests in the Company if they choose to subscribe for their full entitlement of the Rights Shares under the Rights Issue; and

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## LETTER FROM DONVEX CAPITAL

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- (g) the Rights Issue will enhance the net asset value and improve the liquidity position of the Group,

we consider that, despite the inherent dilution effect to the Qualifying Shareholders who do not participate in the Rights Issue, the terms of the Rights Issue and the Underwriting Agreement are on normal and commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue and the entering into of the Underwriting Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,  
For and on behalf of  
**Donvex Capital Limited**  
**Doris Sy**  
*Director*

**FINANCIAL INFORMATION INCORPORATED BY REFERENCE**

Financial information and management discussion and analysis of the Group for each of the three years ended 31 December 2012, 2013 and 2014 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.etsnityinv.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 2014 have been set out in pages 67 to 231 and pages 6 to 37 respectively of the annual report 2014 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 2014:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0429/LTN20150429337.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 2013 have 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 have 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>

**STATEMENT OF INDEBTEDNESS****Borrowings**

At the close of business on 30 April 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total borrowings of HK\$8,396,000 representing:

- (a) the liability component of HK\$6,303,000 in respect of two promissory notes in the aggregate principal amount of HK\$6,420,000 issued by EDS which are non-interest bearing, unsecured and maturing on 30 June 2015;
- (b) a loan of HK\$1,835,000 advanced by Koffman Investment Limited, a company which is 50% owned by Mr. Yu Zhen Hua, Johnny (the former chairman of the board of directors of EDS and a former director of EDS), which is interest bearing at 5.00% per annum, unsecured and maturing on 25 August 2015; and
- (c) the obligations under finance leases of HK\$258,000 of which (i) HK\$242,000 is interest bearing at 3.00% per annum and secured by a guarantee from Hong Kong Government, a joint and several guarantee from a director of a subsidiary and an Independent Third Party and the Group's title to the leased assets, and (ii) HK\$16,000 is non-interest bearing and secured by the Group's title to the leased assets.

**Contingent liabilities**

As at the close of business on 30 April 2015, the Group had the following material contingent liabilities:

- (a) On 15 April 2010, a claim was brought by China Finance & Assets Management Limited ("**China Finance**") in 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 consolidated financial statements of the Group for the year ended 31 December 2014 as Lafe Corporation Limited has undertaken to indemnify and keep indemnified the 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 Company announced that it came to its attention that a writ of summons 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. One Synergy has, as at the Latest Practicable Date, not been served with the writ.

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, a wholly owned subsidiary of the Company, 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 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 of approximately 139,412 square feet exclusive of lavatories, lorry and private car parking spaces, flat roof and roof (collectively, 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 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 23 January 2015, EDS received a writ of summons in High Court Action No. 200 of 2015 issued by Mr. Shum Yeung (“**Mr. Shum**”) as plaintiff against EDS as defendant for the following claims:
- (i) the Judgment in High Court Action No. 1775 of 2012 dated 6 September 2013 (the “**Summary Judgement**”), pursuant to which the Court of First Instance of the High Court of Hong Kong (the “**Court of First Instance**”) adjudged that Mr. Shum (1) do pay EDS the sum of HK\$39,128,000 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 s.48 of High Court Ordinance until payment; and (2) shall pay EDS the costs of the action including the costs of and occasioned by EDS's application for the Summary Judgment to be taxed if not agreed, entered against Mr. Shum be set aside;
  - (ii) loss and damages suffered by Mr. Shum as a result of the Summary Judgement being obtained against him;
  - (iii) an order for discovery upon oath of all matters relating to the Summary Judgement;
  - (iv) an order for payment of all sums found due to Mr. Shum together with the interest thereon at such rate and for such period as the High Court may deem just pursuant to the High Court Ordinance;
  - (v) the costs; and
  - (vi) further or other relief.
- (d) On 30 March 2015, EDS received a statement of claim in the High Court of Hong Kong filed by Mr. Shum in relation to the High Court Action No. 200 of 2015.

**Commitments**

As at the closing of business on 30 April 2015, the Group had a total commitment of HK\$1,965,350,000 relating to:

- (a) the subscription of the second tranche of convertible notes to be issued by China Star Entertainment Limited (“**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. On 29 June 2012, the completion date of subscription was extended from 30 June 2012 to 31 December 2013. On 31 December 2013, the completion date of subscription was further extended from 31 December 2013 to 31 December 2015;
- (b) loans commitment in the aggregate principal amount of HK\$9,000,000 pursuant to the building mortgages and the loan agreements entered into between the Group and its customers;
- (c) the consideration of HK\$1,650,000,000 for the First Transaction pursuant to the conditional sale and purchase agreement entered into between the Company as purchaser, Unique Talent Group Limited, a wholly owned subsidiary of China Jiu hao, as vendor and China Jiu hao as guarantor on 11 December 2014. The consideration shall be settled as to (i) HK\$600,000,000 by cash and (ii) HK\$1,050,000,000 by the issue of a share entitlement note, which entitles the holder thereof to call for the allotment and issue of 1,500,000,000 new Shares at a price of HK\$0.70 per Share, to China Jiu hao. The First Transaction is conditional upon the fulfillment and/or waiver (as the case may be) of the conditions precedent set out in the conditional sale and purchase agreement; and
- (d) the commitment of RMB5,000,000 (equivalent to approximately HK\$6,350,000) for the payment of registered capital of a Wholly Foreign Owned Enterprise being set up by EDS in Shenzhen, the PRC.

**Disclaimer**

Save as aforesaid and apart from intra-group liabilities, at the close of business on 30 April 2015, the 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 Group since 30 April 2015 and up to the Latest Practicable Date.

#### **WORKING CAPITAL**

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

#### **MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

#### **FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

As the Federal Reserve is still expected to raise its policy rate before the end of 2015, the Hong Kong equity market faces the challenges from a strong United State Dollar and potential volatility from the Federal Reserve's policy normalisation. Accordingly, the Directors expect the Hong Kong equity market remains volatile in the remainder of 2015. The Directors will cautiously monitor the equity market, change the Group's equities portfolio mix from time to time and realise the Group's equities into cash as and when appropriate. The Group will continue to adopt a conservative investment approach in investing towards its sale of financial assets business in 2015.

The new round of mortgage-tightening measures targeting small to medium size flats rolled out by the Hong Kong Monetary Authority in February 2015 to cool the overheated housing market did not weaken market sentiment. Property prices have continued to break new records. The Directors expect the property prices will remain at the current expensive level, instead of experiencing a drastic decline, in 2015. The Directors believe that, if the property prices continue to grow by another 5% to 10% in the next few months, further cooling measures will be rolled out by the Hong Kong Monetary Authority. As such, the Group has adopted a wait-and-see approach towards its property investment business in Hong Kong.

To expand its property investment business into the PRC, the Company as purchaser entered into a conditional sale and purchase agreement with Unique Talent Group Limited, a wholly owned subsidiary of China Jiuhao, as vendor and China Jiuhao as guarantor relating to the First Transaction on 11 December 2014. Smart Title Limited and its subsidiaries have two major assets, which are (i) the rights to manage and operate a membership-based golf club and resort in Beijing, the PRC (the “**Club**”) up to 31 December 2051 and (ii) the rights to develop and operate a land adjacent to the Club (the “**Subject Land**”) and the rights to manage the properties erected on the Subject Land up to 30 January 2062. Both the Club and the Subject Land are located in Beijing. The Subject Land is intended to be developed into a low-density deluxe hotel villas community and a high-end hotel apartment complex. The Group intends to hold the Club and the Subject Land as long-term investments for rental purposes. It is expected that the First Transaction will be completed in the third quarter of 2015.

With the active expansion in the second half of 2013 and the first half of 2014, the Group’s money lending business recorded a significant growth in the year ended 31 December 2014 as compared to the previous year. The Group will slow down its pace of expanding money lending business in 2015 as some internal cash resources of the Group will be allocated to finance the operations of Smart Title Limited and its subsidiaries, if the First Transaction materialises. Therefore, it is expected that there will be a decrease in interest income on loans in 2015 as compared to 2014.

According to the Census and Statistic Department, the total retail sales in Hong Kong for the first quarter of 2015 were down by 2.3% year-on-year. With the implementation of a tightened policy on Chinese tourists in response to mounting concern on capacity constraints, the Directors expect a decrease in EDS’s sale of beauty products and provision of therapy services in 2015.

With a view to improve its profitability, EDS as issuer entered into the Subscription Agreement with six subscribers relating to the subscription of 345,000,000 new Ordinary EDS Shares and 30,000,000 new convertible preferred shares of EDS (the “**Subscription**”) on 17 February 2015. The Directors believe that the entering into of the Subscription Agreement represents a good opportunity for EDS to (i) raise a substantial amount of additional funds for future business development in in-flight WLAN and WIFI engineering and service business, which is in a segment difference from the existing business of EDS, (ii) improve its financial position and liquidity and (iii) leverage on the expertise and business network of Mr. Cai Zhaoyang, who is the majority shareholder and the sole director of the major subscriber, to take advantage of the expected strong growth in the avionic engineering and service business sector in the PRC. Upon the completion of the Subscription, the Group is deemed to dispose of a substantial percentage in its shareholding

interest in EDS and EDS ceases to be a subsidiary of the Company. The Group's investment in EDS will be accounted for as available-for-sale investment. The Directors consider that, following completion of the Subscription, the Group as a shareholder holding 52,500,000 Ordinary EDS Shares will continue to benefit from the increase in market price of Ordinary EDS Shares driven by the improvement in EDS's profitability.

The Group's design and sale of jewelry products business recorded a positive result since its commencement in October 2014. Consumer spending in the countries where the Group's target customers locate were weak in the first quarter of 2015. As the current economic indicators suggest the economies of these countries are finding momentum in the second quarter, consumer spending in these countries rebounded stronger than expected in recent months. The Directors predict consumer spending in these counties could be fairly strong in 2015 as low inflation gives households more disposable income to spend. Accordingly, the Directors anticipate that the sales volume will show a moderate growth in 2015. In order to solidify the foundation of the Group's design and sale of jewelry products business, business plans, which include setting up overseas subsidiaries and participating overseas tradeshows and exhibitions, are being formulated for increasing direct export sales to jewelry wholesalers and retailers in Europe and the Middle East.

In 2015, the Directors will continue to cautiously monitor the business environment and strengthen the Group's business foundation by focusing the Group's existing businesses. In addition to focusing on the Group's existing businesses, the Directors will continue to cautiously identify suitable investment opportunities for the Group to diversify its businesses and broaden its revenue.

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED  
NET TANGIBLE ASSETS OF THE GROUP**

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the “**Unaudited Pro Forma Financial Information**”) has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rule to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had taken place on 31 December 2014.

The Unaudited Pro Forma Financial Information is prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company immediately had the Rights Issue been completed as at 31 December 2014 or at any future date after completion of the Rights Issue.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2014 derived from the audited consolidated statement of financial position of the Group as at 31 December 2014 as extracted from the annual report of the Company for the year ended 31 December 2014, after incorporating the adjustments described in the accompany notes.

**APPENDIX II**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE GROUP**

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2014 <i>HK\$'000</i> <i>(Note 2)</i>	Net proceeds from the allotment and issue of 35,950,000 new Shares <i>HK\$'000</i> <i>(Note 3)</i>	Estimated net proceeds from the full exercise of all the outstanding Options <i>HK\$'000</i> <i>(Note 4)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 5)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue <i>HK\$'000</i>
(i) On the basis that a minimum of 583,623,243 Rights Shares is issued <i>(Note 1)</i>	<u>2,055,386</u>	<u>24,806</u>	—	<u>398,236</u>	<u>2,478,428</u>
(ii) On the basis that a maximum of 593,921,844 Rights Shares is issued <i>(Note 1)</i>	<u>2,055,386</u>	<u>24,806</u>	<u>69,591</u>	<u>405,445</u>	<u>2,555,228</u>
				<i>HK\$</i>	
Audited consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2014 before the completion of the Rights Issue <i>(Note 6)</i>				<u>3.75</u>	
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2014 immediately after the completion of the Rights Issue on the basis that a minimum of 583,623,243 Rights Shares is issued <i>(Note 7)</i>				<u>2.12</u>	
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2014 immediately after the completion of the Rights Issue on the basis that a maximum of 593,921,844 Rights Shares is issued <i>(Note 7)</i>				<u>2.15</u>	

*Notes:*

1. Under the Rights Issue, not less than 583,623,243 and not more than 593,921,844 Rights Shares will be allotted and issued.
2. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2014 of HK\$2,055,386,000 represents the audited consolidated net assets attributable to owners of the Company of HK\$2,144,651,000, as extracted from the audited consolidated statement of financial position of the Group as at 31 December 2014, deducting the goodwill of the Group of HK\$89,265,000.
3. The net proceeds from the allotment and issue of 35,950,000 new Shares is approximately HK\$24,806,000, which is based on the allotment and issue of 11,660,000 and 24,290,000 new Shares on 19 and 22 June 2015 respectively upon the exercise of 35,950,000 outstanding Options at a subscription price of HK\$0.69 per new Share.
4. The estimated net proceeds from the full exercise of all the outstanding Options is approximately HK\$69,591,000, which is based on 10,298,601 Options Shares to be allotted and issued at a weighted average subscription price of HK\$6.7573 per Options Share.
5. The estimated net proceeds from the Rights Issue is approximately HK\$398,236,000, which is based on a minimum of 583,623,243 Rights Shares to be allotted and issued (based on 583,623,243 Shares in issue as at the Latest Practicable Date and assuming no Shares (including the Options Shares) are allotted and issued or repurchased by the Company on or before the Record Date) at the Subscription Price of HK\$0.70 per Rights Share and after deduction of estimated related expenses of approximately HK\$10,300,000.

The estimated net proceeds from the Rights Issue is approximately HK\$405,445,000, which is based on a maximum of 593,921,844 Rights Shares to be allotted and issued (based on 583,623,243 Shares in issue as at the Latest Practicable Date and assuming all the 10,298,601 Options Shares are allotted and issued but no other Shares are allotted, issued or repurchased by the Company on or before the Record Date) at the Subscription Price of HK\$0.70 per Rights Share and after deduction of estimated related expenses of approximately HK\$10,300,000.

6. The audited consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2014 before the completion of the Rights Issue is determined based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2014 of approximately HK\$2,055,386,000 divided by 547,673,243 Shares in issue as at 31 December 2014.
7. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2014 immediately after the completion of the Rights Issue is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of Rights Issue of approximately HK\$2,478,428,000, divided by 1,167,246,486 Shares which is based on 583,623,243 Shares in issue as at the Latest Practicable Date and a minimum of 583,623,243 Rights Shares to be allotted and issued pursuant to the Rights Issue.

The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2014 immediately after the completion of the Rights Issue is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after the completion of Rights Issue of approximately HK\$2,555,228,000, divided by 1,187,843,688 Shares which is based on 583,623,243 Shares in issue as at the Latest Practicable Date, 10,298,601 Options Shares to be allotted and issued upon the exercise of all outstanding Options and a maximum of 593,921,844 Rights Shares to be allotted and issued pursuant to the Rights Issue.

8. No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 31 December 2014.

**B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT  
ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL  
INFORMATION**

*The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountant HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.*



國衛會計師事務所有限公司  
**Hodgson Impey Cheng Limited**

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT  
ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL  
INFORMATION****TO THE DIRECTORS OF ETERNITY INVESTMENT LIMITED**

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of Eternity Investment Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2014 and related notes as set out in Appendix II to the circular issued by the Company dated 26 June 2015 (the “**Circular**”) in connection with the Rights Issue (as defined in the Circular). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Rights Issue on the Group's financial position as at 31 December 2014 as if the Rights Issue had taken place at 31 December 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2014, on which an audited report has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“**HKSEA**”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the events or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**HLB Hodgson Impey Cheng Limited**  
*Certified Public Accountants*

**Yu Chi Fat**

Practising Certificate Number: P05467  
Hong Kong, 26 June 2015

## 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 respects 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. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date and (b) immediately after the completion of the Rights Issue are as follows:

### (a) As at the Latest Practicable Date

*Authorised:*

10,000,000,000	Shares	HK\$ 100,000,000.00
<u>10,000,000,000</u>		<u>100,000,000.00</u>

*Issued and fully-paid:*

583,623,243	Shares in issue	HK\$ 5,836,232.43
<u>583,623,243</u>		<u>5,836,232.43</u>

### (b) Immediately after the completion of the Rights Issue

(i) Assuming no Shares (including the Options Shares) are allotted and issued or repurchased by the Company on or before the completion of the Rights Issue

*Authorised:*

10,000,000,000	Shares	HK\$ 100,000,000.00
<u>10,000,000,000</u>		<u>100,000,000.00</u>

*Issued and fully-paid:*

583,623,243	Shares in issue	HK\$ 5,836,232.43
583,623,243	Rights Shares to be allotted and issued upon the completion of the Rights Issue	5,836,232.43
<u>583,623,243</u>		<u>5,836,232.43</u>
	Shares in issue immediately after the completion of the Rights Issue	
<u>1,167,246,486</u>		<u>11,672,464.86</u>

- (ii) Assuming all the Options Shares are allotted and issued but no other Shares are allotted, issued or repurchased by the Company on or before the completion of the Rights Issue

*Authorised:*

	<i>HK\$</i>
<u>10,000,000,000</u> Shares	<u>100,000,000.00</u>

*Issued and fully-paid:*

	<i>HK\$</i>
583,623,243 Shares in issue	5,836,232.43
10,298,601 Options Shares to be allotted and issued upon the exercise of all 10,298,601 outstanding Options	102,986.01
<u>593,921,844</u> Rights Shares to be allotted and issued upon the completion of the Rights Issue	<u>5,939,218.44</u>
<u>1,187,843,688</u> Shares in issue immediately after the completion of the Rights Issue	<u>11,878,436.88</u>

All the existing Shares in issue are fully-paid and rank pari passu in all respects including all rights as to dividends, voting and return of capital. The Rights Shares (when allotted, issued and fully-paid) will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares in their fully-paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Save and except for the 10,298,601 outstanding Options entitling the holders thereof to subscribe for an aggregate of 10,298,601 Options Shares, as at the Latest Practicable Date, the Company had no other outstanding convertible securities, options in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, no share or loan capital of the Company or any members of the Group had been put under option or agreed conditionally or unconditionally to be put under option.

### 3. 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. 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	1	Held by controlled corporations	105,708,000	18.11%
Mr. Cheung Kwok Wai, Elton	1	Held by controlled corporations	105,708,000	18.11%
Mr. Cheung Kwok Fan	1	Held by controlled corporations	105,708,000	18.11%
Mr. Chan Kin Wah, Billy		Beneficial owner	6,319,500	1.08%

*Note:*

1. 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. 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	950	950

**c. Derivatives to the Shares**

Name of Director	Note	Capacity	Number of derivatives (physically settled)	Number of underlying Shares
Mr. Lei Hong Wai	<i>1</i>	Held by controlled corporations	105,708,000	105,708,000
Mr. Cheung Kwok Wai, Elton	<i>1</i>	Held by controlled corporations	105,708,000	105,708,000
Mr. Cheung Kwok Fan	<i>1</i>	Held by controlled corporations	105,708,000	105,708,000

*Note:*

1. The derivatives (physically settled) represent the Twin Success Undertaking given by Twin Success to the Company and the Underwriter for subscribing for 105,708,000 Rights Shares under the Rights Issue.

## 4. 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. 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	18.11%
Silver Pacific International Limited	1 and 2	Held by controlled corporation	105,708,000	18.11%
Silver Pacific Development Limited	1 and 3	Held by controlled corporation	105,708,000	18.11%
Mr. Lei Hong Wai	1 and 2	Held by controlled corporations	105,708,000	18.11%
Mr. Cheung Kwok Wai, Elton	1 and 3	Held by controlled corporations	105,708,000	18.11%
Mr. Cheung Kwok Fan	1 and 3	Held by controlled corporations	105,708,000	18.11%

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	129,412,174	9.95%
Asia Vest Partners X Limited	4	Held by controlled corporations	129,412,174	9.95%
Asia Vest Partners Limited	4	Held by controlled corporations	129,412,174	9.95%
Mr. Andrew Nam Sherrill	4	Held by controlled corporations	129,412,174	9.95%
The Underwriter	5	Other	1	0.00%
Galaxy Sky Investments Limited	5	Held by controlled corporations	1	0.00%
Kingston Capital Asia Limited	5	Held by controlled corporations	1	0.00%
Kingston Financial Group Limited	5	Held by controlled corporations	1	0.00%
Active Dynamic Limited	5	Held by controlled corporations	1	0.00%
Ms. Chu Yuet Wah	5	Held by controlled corporations	1	0.00%

*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 Shares held and the approximate percentage of the issued share capital of the Company are based on the Disclosure of Interests Notices filed to the Company by the relevant Shareholders on 4 September 2007.
5. The Underwriter is a wholly owned subsidiary of Galaxy Sky Investments Limited, which is wholly owned by Kingston Capital Asia Limited. Kingston Capital Asia Limited is wholly owned by Kingston Financial Group Limited. Active Dynamic Limited owns 49.19% interest in Kingston Financial Group Limited. Ms. Chu Yuet Wah owns 100% interest in Active Dynamic Limited.

**b. Options**

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

**c. Derivatives to the Shares**

Name of Shareholder	Notes	Capacity	Number of derivatives (physically settled)	Number of underlying Shares
Unique Talent Group Limited	1	Other	1,500,000,000	1,500,000,000
China Jiu hao	1	Held by controlled corporation	1,500,000,000	1,500,000,000
The Underwriter	2	Other	488,213,844	488,213,844
Galaxy Sky Investments Limited	2	Held by controlled corporations	488,213,844	488,213,844
Kingston Capital Asia Limited	2	Held by controlled corporations	488,213,844	488,213,844
Kingston Financial Group Limited	2	Held by controlled corporations	488,213,844	488,213,844
Active Dynamic Limited	2	Held by controlled corporations	488,213,844	488,213,844

Name of Shareholder	Notes	Capacity	Number of derivatives (physically settled)	Number of underlying Shares
Ms. Chu Yuet Wah	2	Held by controlled corporations	488,213,844	488,213,844
Twin Success	3	Beneficial owner	105,708,000	105,708,000
Silver Pacific International Limited	3	Held by controlled corporation	105,708,000	105,708,000
Silver Pacific Development Limited	3	Held by controlled corporation	105,708,000	105,708,000
Mr. Lei Hong Wai	3	Held by controlled corporations	105,708,000	105,708,000
Mr. Cheung Kwok Wai, Elton	3	Held by controlled corporations	105,708,000	105,708,000
Mr. Cheung Kwok Fan	3	Held by controlled corporations	105,708,000	105,708,000

*Notes:*

1. Unique Talent Group Limited is a wholly owned subsidiary of China Jiu hao.
2. The derivatives (physically settled) represent the maximum number of Rights Shares underwritten by the Underwriter pursuant to the Underwriting Agreement.
3. The derivatives (physically settled) represent the Twin Success Undertaking given by Twin Success to the Company and the Underwriter for subscribing for 105,708,000 Rights Shares under the Rights Issue.

## 5. 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 2014, being the date to which the latest published audited consolidated accounts of the Group were made up.

#### **6. 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.

#### **7. QUALIFICATIONS AND CONSENTS OF EXPERTS**

The following are the qualifications of the experts who have given their opinions and advices which are included in this circular:

<b>Name</b>	<b>Qualification</b>
Donvex Capital	a licensed corporation to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO
HLB Hodgson Impey Cheng Limited	Certified public accountants

Each of Donvex Capital and HLB Hodgson Impey Cheng Limited has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter or reports and the references to its name in the form and context in which they respectively appear.

Each of Donvex Capital and HLB Hodgson Impey Cheng Limited did not have any interests in any Shares or shares in any member of the Group, or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group as at the Latest Practicable Date.

As at the Latest Practicable Date, each of Donvex Capital and HLB Hodgson Impey Cheng Limited did not have any direct or indirect interests in any assets which have since 31 December 2014 (being the date to which the latest published audited

consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to or by any member of the Group, or was proposed to be acquired or disposed of by or leased to or by any member of the Group.

## 8. 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\$25.00 million to China Finance. No provision for the claim was made in the consolidated financial statements of the Group for the year ended 31 December 2014 as Lafe Corporation Limited has undertaken to indemnify and keep indemnified the 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 Company announced that it came to its attention that the writ of summons 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. One Synergy has, as at the Latest Practicable Date, not been served with the writ.

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, a wholly owned subsidiary of the Company, 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 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 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 defense thereto.

- (c) On 23 January 2015, EDS received a writ of summons in High Court Action No. 200 of 2015 issued by Mr. Shum as plaintiff against EDS as defendant for the following claims:
- (i) the Summary Judgment be set aside;
  - (ii) loss and damages suffered by Mr. Shum as a result of the Summary Judgement being obtained against him;
  - (iii) an order for discovery upon oath of all matters relating to the Summary Judgement;
  - (iv) an order for payment of all sums found due to Mr. Shum together with the interest thereon at such rate and for such period as the High Court may deem just pursuant to the High Court Ordinance;
  - (v) the costs; and
  - (vi) further or other relief.

- (d) On 30 March 2015, EDS received a statement of claim in the High Court of Hong Kong filed by Mr. Shum in relation to the High Court Action No. 200 of 2015.
- (e) On 19 May 2015, EDS has commenced the legal proceedings in the Court of First Instance against Mr. Shum as the 1st Defendant, E IN International Group Limited as the 2nd Defendant, E IN Properties Limited as the 3rd Defendant and Grand Fill Enterprise Limited as the 4th Defendant for, amongst others, the following reliefs to recover the judgment debt under the Summary Judgment:
- (i) Mr. Shum's interest in all the shares or shareholdings in the 2nd Defendant, 3rd Defendant and 4th Defendant ("**Mr. Shum's Shares**") which have been charged in favour of EDS be sold without further reference to the Court of First Instance by way of tender or public auction at the best price reasonably obtainable;
  - (ii) the solicitors for EDS shall have the conduct of the sale of Mr. Shum's Shares by appointing an agent, to sell Mr. Shum's Shares by way of tender or public action;
  - (iii) the execution of the requisite deeds or documents to effect the sale stated in paragraphs (i) and (ii) above by Mr. Shum or by the Registrar of the Court of First Instance;
  - (iv) EDS shall apply the sale proceeds from the sale of Mr. Shum's Shares to (1) pay the costs and expenses of effecting the above sale; (2) pay the costs of the legal proceedings; (3) pay the judgment debt (together with interest) under the Summary Judgment; and (4) pay the balance (if any) to Mr. Shum or into the Court of First Instance or as the Court of First Instance shall direct;
  - (v) further or alternative to paragraphs (i), (ii) and (iii) above, a receiver be appointed to (1) receive Mr. Shum's profits, income, benefits, interest and/or assets deriving and/or arising from Mr. Shum's Shares; and/or (2) to take over and/or realise Mr. Shum's Shares for the purpose of defraying the judgment debt (together with interest) under the Summary Judgment; and
  - (vi) the costs of the legal proceedings to EDS.

- (f) On 9 June 2015, EDS has commenced the legal proceedings in the Court of First Instance against Mr. Shum as the 1st Defendant, Wing Lung Bank Limited as the 2nd Defendant and Hang Seng Bank Limited as the 3rd Defendant for, amongst others, the following reliefs to recover the judgment debt under the Summary Judgment:
- (i) Mr. Shum's interest in the properties and/or lands situate at (1) House 4, The Baroque, Nos.1-7 Kau To Shan Road, Shatin, New Territories (the "**First Property**"); (2) Ground Floor, No. 1 Kau To Path, Lot No. 838 in DD171, Shatin, New Territories (the "**Second Property**"); and (3) Ground Floor, No. 1 Kau To Path, Lot No. 839 in DD171, Shatin, New Territories (the "**Third Property**") (collectively as the "**Properties**") which have been charged in favour of EDS be sold without further reference to the Court of First Instance by way of tender or public auction at the best price reasonably obtainable;
  - (ii) the solicitors for EDS shall have the conduct of the sale of the Properties by appointing an agent, to sell the Properties by way of tender or public auction;
  - (iii) the execution of the requisite deeds or documents to effect the sale stated in paragraphs (i) and (ii) above by Mr. Shum or by the Registrar of the Court of First Instance;
  - (iv) EDS shall apply the sale proceeds from the sale of the First Property to (1) pay the costs and expenses of effecting the above sale; (2) pay the costs of the legal proceedings; (3) pay the outstanding indebtedness owed to Hang Seng Bank Limited as secured by a mortgage over the First Property; (4) pay the judgment debt (together with interest) owed to EDS under the Summary Judgment; and (5) pay the balance (if any) to Mr. Shum or into the Court of First Instance or as the Court of First Instance shall direct;
  - (v) EDS shall apply the sale proceeds from the sale of the Second Property and the Third Property to (1) pay the costs and expenses of effecting the above sale; (2) pay the costs of the legal proceedings; (3) pay the outstanding indebtedness owed to Wing Lung Bank Limited as secured by a mortgage and a second legal charge over the Second Property and the Third Property; (4) pay the judgment debt (together with interest)

owed to EDS under the Summary Judgment; and (5) pay the balance (if any) to Mr. Shum or into the Court of First Instance or as the Court of First Instance shall direct;

(vi) further or alternative to paragraphs (i), (ii) and (iii) above, a receiver be appointed to receive Mr. Shum's share of any rents, income and/or profits arising from the Properties;

(vii) such further and/or other directions as the Court of First Instance shall deem fit; and

(viii) the costs of the legal proceedings to EDS.

## 9. 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.

## 10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

### Board of Directors

#### *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

<b>Head office and principal place of business in Hong Kong</b>	Unit 3811 Shun Tak Centre, West Tower 168-200 Connaught Road Central Hong Kong
<b>Company Secretary</b>	Mr. Chan Kin Wah, Billy CPA, CPA ( <i>Aust.</i> ), CICPA ( <i>non-practicing</i> )
<b>Authorised representatives</b>	Mr. Lei Hong Wai Mr. Chan Kin Wah, Billy
<b>Business address of Directors and authorised representatives</b>	Unit 3811 Shun Tak Centre, West Tower 168-200 Connaught Road Central Hong Kong
<b>Underwriter</b>	Kingston Securities Limited Suite 2801, One International Finance Centre 1 Harbour View Street, Central Hong Kong
<b>Legal adviser to the Company</b>	Robertsons 57/F, The Center 99 Queen's Road Central Hong Kong
<b>Financial adviser to the Company</b>	Nuada Limited Unit 1805-08, 18/F, Office Plus@ Sheung Wan 93-103 Wing Lok Street Sheung Wan Hong Kong
<b>Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders</b>	Donvex Capital Limited Unit 1305, 13th Floor Carpo Commercial Building 18-20 Lyndhurst Terrace Central Hong Kong

<b>Auditor and reporting accountant</b>	HLB Hodgson Impey Cheng Limited 31st Floor Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
<b>Branch share registrar and transfer office in Hong Kong</b>	Tricor Standard Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal bankers</b>	OCBC Wing Hang Bank Limited 161 Queen's Road Central Hong Kong  DBS Bank (Hong Kong) Limited G/F, The Center 99 Queen's Road Central Hong Kong
<b>Stock code</b>	764
<b>Website</b>	<a href="http://www.irasia.com/listco/hk/eternityinv/index.htm">http://www.irasia.com/listco/hk/eternityinv/index.htm</a>

## **11. MISCELLANEOUS**

The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

**12. 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 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;
- (b) 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 the Underwriter, pursuant to which Eternity Finance has conditionally agreed to place, through the Underwriter on a best effort basis, 1,136,363,636 shares in China Star to independent investors at a price of HK\$0.135 per share;
- (c) the letter of extension dated 30 October 2013 and entered into between New Cove Limited, a wholly owned subsidiary of the Company, and EDS relating to extending the long stop date of the conditional subscription agreement dated 21 March 2013 from 31 October 2013 to 30 June 2014;
- (d) the irrevocable undertaking dated 5 November 2013 given by Eternity Finance to China Star and the Underwriter (i) not to exercise its conversion rights attached to the convertible bonds in the principal of HK\$225.00 million 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\$225.00 million 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;
- (e) the supplemental agreement dated 18 November 2013 and entered into between Eternity Finance, China Star, the Underwriter 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;

- (f) 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\$300.00 million to be issued by China Star pursuant to the conditional subscription agreement dated 21 January 2011 (as amended and supplemented by the supplemental agreements dated 28 March 2011 and 29 June 2012) from 31 December 2013 to 31 December 2015;
- (g) the placing agreement dated 20 February 2014 and entered into between the Company and the Underwriter, pursuant to which the Company has conditionally agreed to place, through the Underwriter 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;
- (h) the conditional sale and purchase agreement dated 1 April 2014 entered into between Riche (BVI) Limited as purchaser and Mr. Cheung Kwok Fan, a Director, 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 at a consideration of HK\$286.10 million;
- (i) the deed of variation dated 25 April 2014 entered into among Riche (BVI) Limited and Mr. Cheung Kwok Fan in relation to the amendment and modification of certain terms and the consideration of the conditional sale and purchase agreement dated 1 April 2014;
- (j) 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\$2.00 million;
- (k) the irrevocable undertaking dated 25 June 2014 given by New Cove Limited to EDS and the Underwriter (i) to convert the convertible bonds issued by EDS in the principal amount of HK\$25.00 million into 25,000,000 new Ordinary EDS Shares before the commencement of the book close period of the open offer as announced by EDS on 25 June 2014; (ii) not to convert the remaining balance of the convertible bonds in the principal amount of HK\$15.00 million into 15,000,000 new Ordinary EDS Shares before the record date for the open offer; (iii) to subscribe for or procure the subscription for 12,500,000 new Ordinary EDS Shares 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 Ordinary EDS Shares accompanied by the appropriate remittances which shall be honoured on first presentation prior to the latest time for acceptance under the open offer;

- (l) the placing agreement dated 15 August 2014 and entered into between EDS and the Underwriter, pursuant to which EDS has conditionally agreed to place, through the Underwriter on a best effort basis, up to 2,620,000 new Ordinary EDS Shares to not fewer than six independent investors at a price of HK\$3.15 per Ordinary EDS Share;
- (m) the deed of variation dated 19 September 2014 entered into among Riche (BVI) Limited and Mr. Cheung Kwok Fan in relation to the extension of the long stop date of the conditional sale and purchase agreement dated 1 April 2014 (as amended and modified by the deed of variation dated 25 April 2014) from 30 September 2014 to 31 October 2014;
- (n) the conditional sale and purchase agreement dated 11 December 2014 and entered into between the Company as purchaser, Unique Talent Group Limited, a wholly owned subsidiary of China Jiuhao, as vendor and China Jiuhao as guarantor relating to the sale and purchase of the entire shareholding interests in Smart Title Limited and the assignment of the shareholder's loan due by Smart Title Limited at a consideration of HK\$1,650.00 million;
- (o) the conditional sale and purchase agreement dated 11 February 2015 and entered into between Victory Peace Holdings Limited, a wholly owned subsidiary of the Company, as purchaser and an Independent Third Party as vendor in relation to the sale and purchase of approximately 74.63% of the issued share capital of a company listed on GEM at a consideration of HK\$197.76 million;
- (p) the Subscription Agreement;
- (q) the deed of undertaking dated 17 February 2015 and given by the Company, Goldenland Mining & Investment Limited, Silver Empire Holding Limited, Truly Elite Limited, High Aim Global Limited and First Bonus International Limited to Xing Hang Limited for not accepting the unconditional mandatory cash offer to be made by the Underwriter on behalf of Xing Hang Limited to acquire all the issued Ordinary EDS Shares (other than the Ordinary EDS Shares owned or agreed to be acquired by Xing Hang Limited and parties acting in concert with it) at the offer price of HK\$4.07 per Ordinary EDS Share;

- (r) the supplemental agreement dated 30 March 2015 entered into between the Company, Unique Talent Group Limited and China Jiu hao relating to the amendments of the forms of the club lease agreement and the share entitlement note attached to the conditional sale and purchase agreement dated 11 December 2014;
- (s) the Underwriting Agreement;
- (t) the termination agreement dated 19 May 2015 and entered into between Victory Peace Holdings Limited and the Independent Third Party for terminating the conditional sale and purchase agreement dated 11 February 2015;
- (u) the deed of variation dated 20 May 2015 and entered into between the Company and the Underwriter in relation to the amendments of certain definitions of the Underwriting Agreement;
- (v) the legally binding letter agreement dated 8 June 2015 entered into between the Company as purchaser and China Jiu hao as vendor relating to the sale and purchase of 12,196,000 shares in a company listed on the Main Board of the Stock Exchange at a consideration of HK\$298.80 million;
- (w) the supplemental agreement dated 12 June 2015 entered into between the Company, Unique Talent Group Limited and China Jiu hao relating to the extension of the long stop date of the conditional sale and purchase agreement dated 11 December 2014;
- (x) the termination letter agreement dated 18 June 2015 entered into between the Company and China Jiu hao in relation to the termination of the legally binding letter agreement dated 8 June 2015; and
- (y) the supplemental agreement dated 19 June 2015 entered into between EDS, Xing Hang Limited, Goldenland Mining & Investment Limited, Silver Empire Holding Limited, Truly Elite Limited, High Aim Global Limited and First Bonus International Limited in relation to the extension of the long stop date of the Subscription Agreement.

**13. PARTICULARS OF THE DIRECTORS****Executive Directors**

**Mr. Lei Hong Wai**, aged 47, was appointed as an executive Director and the Chairman of the Board on 18 January 2010 and 1 February 2010, respectively. He is also the Chief Executive Officer of the Company. Mr. Lei is responsible for the development of the overall strategic planning and management of the Group. He has over 13 years of extensive experience in corporate management, investment and business development. He was an executive Director during the period from 28 September 2001 to 13 October 2005. He was a director of The Chamber of Hong Kong Listed Companies Limited, which promotes interaction amongst its members which are listed companies in Hong Kong and the PRC, in 2002. He also holds directorships in the subsidiaries of the Company. Mr. Lei is also a director of Twin Success, the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Lei has been appointed as the chairman and an executive director of 21 Holdings Limited, a company listed on the Main Board of the Stock Exchange under stock code: 1003, since 10 April 2014.

**Mr. Cheung Kwok Wai, Elton**, aged 49, was appointed as an executive Director on 1 February 2011. Mr. Cheung is responsible for the business development of the Group. He has over 25 years of experience in the area of corporate finance and securities industries. He holds a Master Degree in Accounting and Finance from the University of Lancaster in the United Kingdom. He also holds directorships in certain subsidiaries and the unlisted associates of the Company. Mr. Cheung is also a director of Twin Success, the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Cheung is the elder brother of Mr. Cheung Kwok Fan, an executive Director.

**Mr. Chan Kin Wah, Billy**, aged 52, was appointed as an executive Director on 18 January 2010. Mr. Chan is responsible for the financial management of the Group and the overall operations and management of EDS, a company listed on the GEM under stock code: 8176 and a 70.18% owned subsidiary of the Company. He has over 26 years of experience in accounting and financial control. He 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 the University of Ottawa in Canada and a Master of Commerce Degree in Professional Accounting from the University of New South Wales in Australia. Mr. Chan also holds directorships in two subsidiaries of the Company. He is the Company Secretary of

the Company and certain subsidiaries of the Company. Mr. Chan has been appointed as an executive director of EDS since 5 August 2014. On 19 January 2015, Mr. Chan has been appointed as the chairman of the board of directors, an authorised representative, the compliance officer, the chairman of the special investigation committee, a member of the remuneration committee and the nomination committee of EDS.

**Mr. Cheung Kwok Fan**, aged 47, was appointed as the non-executive Director on 31 August 2011 and redesignated as an executive Director on 18 September 2014. Mr. Cheung is responsible for the overall management of the Group's design and sale of jewelry business. He holds directorships in three subsidiaries of the Company. Mr. Cheung has over 23 years' working experience in the field of architecture. He is a member of The Hong Kong Institute of Architects, a member of The Royal Australian Institute of Architects, Registered Architect in Hong Kong and an Authorised Person in the list of Architects. He obtained his Bachelor Degree of Arts in Architectural Studies from The University of Hong Kong in 1989 and a Bachelor Degree in Architecture from The University of Hong Kong in 1991. He was selected as an awardee of the Ten Outstanding Young Persons Selection organised by Junior Chamber of International Hong Kong in 2005. He has been appointed as an Adjunct Lecturer of the Architecture Subject Group of HKU School of Professional and Continuing Education since 1 January 2014. Mr. Cheung has been the director of his own architectural practice, Oritecture Limited, since 10 December 2009. He is the younger brother of Mr. Cheung Kwok Wai, Elton, an executive Director. Mr. Cheung has been appointed as an executive director of 21 Holdings Limited, a company listed on the Main Board of the Stock Exchange under stock code: 1003, since 10 April 2014.

#### **Independent Non-executive Directors**

**Mr. Wan Shing Chi**, aged 44, has over 21 years of experience in the field of construction engineering and is currently a site coordinator of a reputable construction company in Hong Kong. He holds a Bachelor Degree of Engineering with honours from University of Melbourne, Australia and is a member of the Asia Institute of Building. Mr. Wan joined the Company in May 2010.

**Mr. Ng Heung Yan**, aged 44, has over 12 years of experience in metal work engineering design and currently works as a design manager in a private engineering company in Hong Kong. He was graduated from Monash University in Australia with a Bachelor Degree of Engineering (Industrial and Computing) in 1993. Mr. Ng joined the Company in August 2011.

**Mr. Wong Tak Chuen**, aged 50, is a fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants in the United Kingdom, as well as a member of the Institute of Chartered Accountants in England and Wales. He has over 25 years of experience in auditing, financial management, mergers and acquisitions gained from certain senior finance related positions in an international accounting firm in Hong Kong, companies listed in Hong Kong and a company listed in the United States of America. He is currently the chief financial officer and the company secretary of a company listed on the Main Board of the Stock Exchange. Mr. Wong joined the Company in November 2011. Mr. Wong has been appointed as an independent non-executive director of 21 Holdings Limited, a company listed on the Main Board of the Stock Exchange under stock code: 1003, since 10 April 2014.

#### **14. EXPENSES**

The expenses in connection with the Rights Issue, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$10.30 million, which are payable by the Company.

#### **15. 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 2013 and 2014;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 35 to 36 of this circular;
- (d) the letter of advice from Donvex Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 37 to 55 of this circular;

- (e) the independent reporting accountant’s assurance report on the compilation of the unaudited pro forma financial information of the Group issued by HLB Hodgson Impey Cheng Limited set out in Appendix II to this circular;
- (f) the written consents referred to in the paragraph under the headed “QUALIFICATIONS AND CONSENTS OF EXPERTS” in this Appendix;
- (g) the material contracts referred to in the paragraph headed “MATERIAL CONTRACTS” in this Appendix; and
- (h) this circular.

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## NOTICE OF SPECIAL GENERAL MEETING

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### 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, 16 July 2015 at 10:00 a.m. for the purposes of considering and, if thought fit, passing with or without modifications, the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT** subject to the satisfaction of the conditions of the Rights Issue (as defined below) as set out on pages 24 to 25 of the Company’s circular dated 26 June 2015:

- (a) the underwriting agreement (the “**Underwriting Agreement**”) dated 15 May 2015 (as amended pursuant to a deed of variation dated 20 May 2015) in respect of the Rights Issue (as defined below) and the transactions contemplated thereunder (including but not limited to the underwriting of the Rights Shares (as defined below) by Kingston Securities Limited (the “**Underwriter**”)) entered into between the Company and the Underwriter (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification) be and are hereby approved, confirmed and ratified;
- (b) the issue by way of rights (the “**Rights Issue**”) of not less than 583,623,243 new Shares (the “**Rights Shares**”) and not more than 593,921,844 Rights Shares at a subscription price of HK\$0.70 per Rights Share to the shareholders of the Company (the “**Shareholders**”) whose names shall appear on the register of members of the Company at the close of business on 28 July 2015 (the “**Qualifying Shareholders**”), or such other date as the Company and the Underwriter may agree as the record date for determination of the entitlements of the Shareholders to the Rights Issue (the “**Record Date**”) (excluding those Shareholders (the “**Overseas Shareholders**”) whose addresses on the register of members of the Company are outside Hong Kong on the Record Date in respect of whom the directors of the Company (the

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## NOTICE OF SPECIAL GENERAL MEETING

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“**Directors**”), after making relevant enquiries, consider it necessary or expedient to exclude from the Rights Issue on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s)), on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date and pursuant to the terms and conditions as set out in the Underwriting Agreement be and is hereby approved;

- (c) any Director be and is hereby authorised to allot and issue the Rights Shares pursuant to and in connection with the Rights Issue notwithstanding that (i) the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Director be and is hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or the Overseas Shareholders as he deems necessary, desirable or expedient having regard to any restrictions or obligations under the bye-laws of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; (ii) the Rights Shares which would otherwise have been made available for application by the Qualifying Shareholders or the Overseas Shareholders (as the case may be) will be made available for subscription under forms of application for excess Rights Shares; and
- (d) any Director be and is hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Director in his absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 26 June 2015

*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

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## NOTICE OF SPECIAL GENERAL MEETING

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*Notes:*

1. A form of proxy for use at the Meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hands of any officer or attorney duly authorised.
3. Any member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged 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 not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the Meeting or any adjournment thereof should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the Meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
7. The voting on the resolution will be conducted by way of poll.