THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a 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 enclosed form of proxy to the purchaser or transferee, or to the bank, stockbroker, registered dealer in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information only. It does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

(I) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF THE ENTIRE SHAREHOLDING INTEREST IN SMART TITLE LIMITED AND SHAREHOLDER'S LOAN DUE FROM SMART TITLE LIMITED AND SPECIFIC MANDATE TO ISSUE NEW SHARES AND (II) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 11 to 81 of this circular.

A notice convening the special general meeting of the Company to be held at Meeting Room (Soho 2), 6/F., ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Thursday, 17 September 2015 at 10:30 a.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the special general meeting is enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. Whether or not you are able to attend the special general meeting of the Company, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, 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 special general meeting of the Company or any adjournment thereof. **Completion and return of the form of proxy shall not preclude you from attending and voting in person at the special general meeting of the Company or any adjourned meeting thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.**

31 August 2015

CONTENTS

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

"Adjusted Combined NAV as at 30 September 2014"	the unaudited adjusted combined net asset value of the Target Group as at 30 September 2014 of approximately HK$1,581 million
"All Other Jiuhao Health Shareholders"	all Jiuhao Health Shareholders other than Mr. Yuen and his associates
"Allotment Date"	the day upon which the Allotment Right shall be deemed to be automatically exercised in full by the relevant assignee(s) upon an assignment under the SEN Distribution
"Allotment Right"	the right to call on Eternity to allot and issue 1,500,000,000 Eternity Consideration Shares at the issue price of HK$0.70 per Eternity Consideration Share
"Altus Capital"	Altus Capital Limited, a licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and the financial adviser to the Company in respect of the Transactions
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Beijing Bayhood No. 9 Club"	a membership-based club constructed on the Club Land, in which BJ Bayhood No. 9 Co has the right to operate
"BJ Bayhood No. 9 Co"	北京北湖九號商務酒店有限公司 (Beijing Bayhood No. 9 Business Hotel Company Limited*), a company incorporated in the PRC which is an indirect wholly-owned subsidiary of the Target Company
"BJ Haikou No. 9 Co"	海口九號酒店管理有限公司北京分公司 (Haikou No. 9 Hotel Management Company Limited, Beijing branch*), a branch of an indirect wholly-owned subsidiary of Jiuhao Health
"Board"	the board of Directors

* *For the purpose of identification only*

"Business Day(s)"	a day(s) (other than Saturday, Sunday and public holidays) on which banks in Hong Kong and the PRC are open for general banking business
"BVI"	British Virgin Islands
"Capital Reduction"	being (i) the capital reduction that became effective on 25 August 2015 where the par value of each issued Former Jiuhao Health Share has been reduced from HK$0.20 to HK$0.02 and the issued ordinary share capital of Jiuhao Health has been cancelled to the extent of HK$0.18 on each Former Jiuhao Health Share in issue, and the entire amount of authorised but unissued ordinary share capital of Jiuhao Health has been cancelled; (ii) the application of the credit arising from the capital reduction to set off the accumulated losses of Jiuhao Health as at the effective date of the capital reduction with the balance, if any, to be transferred to the distributable reserve account of Jiuhao Health to be applied in such manner as the Jiuhao Health Directors consider appropriate and in accordance with the articles of association of Jiuhao Health, the order of the Cayman Islands Court sanctioning the capital reduction and all applicable laws and rules
"Cayman Islands Court"	the Grand Court of the Cayman Islands
"Club Land"	being the land of approximately 1,150 Chinese acres (equivalent to approximately 767,000 square metres) on which Beijing Bayhood No. 9 Club operates
"Club Lease Agreement"	the lease agreement to be executed by BJ Haikou No. 9 Co and BJ Bayhood No. 9 Co at Completion, pursuant to which BJ Haikou No. 9 Co shall lease the assets on the Club Land in respect of Beijing Bayhood No. 9 Club which will be owned by Eternity through its ownership in BJ Bayhood No. 9 Co after Completion
"Companies Law"	The Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Completion"	completion of the Transactions in accordance with the terms and conditions of the S&P Agreement

"Completion Date"	date of Completion
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration for the Transactions in the amount of HK$1,650 million in aggregate
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	director(s) of Eternity or the Company
"Distribution Assignment"	the assignment of the Share Entitlement Note under the Proposed Distribution to Jiuhao Health Shareholders
"EDS"	EDS Wellness Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8176) and as at the Latest Practicable Date, a 70.18% owned subsidiary of the Company
"EDS Share(s)"	the ordinary share(s) of HK$0.10 each in the share capital of EDS
"Enlarged Group"	the Group as enlarged by the Transactions
"Eternity" or "Company"	Eternity Investment Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 764)
"Eternity Consideration Share(s)"	new Share(s) to be allotted, issued and credited as fully paid upon the exercise of the Allotment Right attached to the Share Entitlement Note
"Eternity's Material Adverse Change"	any change, event, circumstance or other matter that has, or would reasonably be expected to have, either individually or in the aggregate, a material adverse effect on:

	(i) the ability of Eternity or any member of the Group to perform its respective obligations under the Transaction Documents; or
	(ii) the business, assets and liabilities, condition (financial or otherwise), results of operations of the Group as a whole
"Eternity Option(s)"	the option(s) granted under the Eternity Share Option Schemes
"Eternity Options Holder(s)"	holder(s) of the Eternity Option(s)
"Eternity Options Share(s)"	maximum of 4,130,204 new Shares to be allotted and issued upon the exercise of all the outstanding 4,130,204 Eternity Options as at the Latest Practicable Date
"Eternity Record Date"	Tuesday, 28 July 2015 or such later date as may be agreed between Eternity and the Underwriter for determining entitlements to the Eternity Rights Issue
"Eternity Rights Issue"	the rights issue on the basis of one (1) Eternity Rights Share for every one (1) existing Share held on the Eternity Record Date at the subscription price of HK$0.70 per Eternity Rights Share
"Eternity Rights Shares"	590,003,243 new Shares allotted and issued under the Eternity Rights Issue
"Eternity Share Option Schemes"	the respective share option schemes (i) adopted by Eternity on 21 January 2002 (which have been terminated since 12 December 2011); and (ii) adopted by Eternity on 12 December 2011
"Final Valuations"	the final valuations of Beijing Bayhood No. 9 Club and the Proposed Development Project as at 31 March 2015 prepared by American Appraisal China Limited, an independent valuer appointed by Eternity
"Former Jiuhao Health Share(s)"	the ordinary share(s) of HK$0.20 each in the share capital of Jiuhao Health prior to the Capital Reduction becoming effective

"Group"	Eternity/the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Jiuhao Health Shareholders"	Jiuhao Health Shareholders other than Eternity and its associates
"Independent Third Party(ies)"	the party(ies) and its (their) ultimate beneficial owners who is (are) independent of the Company and its (their) connected persons
"Jiuhao Health"	China Jiuhao Health Industry Corporation Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 419)
"Jiuhao Health Board"	board of Jiuhao Health Directors
"Jiuhao Health Director(s)"	director(s) of Jiuhao Health
"Jiuhao Health Group"	Jiuhao Health and its subsidiaries
"Jiuhao Health Overseas Shareholders"	any Jiuhao Health Shareholders with registered address in any particular territory or territories where, in the absence of a registration statement or other special formalities, the Proposed Distribution under the Share Entitlement Note would or might, in the opinion of the Jiuhao Health Board, be unlawful or impracticable
"Jiuhao Health Share(s)"	the Former Jiuhao Health Share(s) or, as the case may be, the New Jiuhao Health Share(s)
"Jiuhao Health Shareholder(s)"	holder(s) of Jiuhao Health Shares
"Joint Announcement"	the joint announcement of the Company and Jiuhao Health dated 15 May 2015, in relation to, among others, the Transactions
"Last Trading Day"	11 December 2014, being the last trading day prior to the suspension of trading of the Shares and the Jiuhao Health Shares on 12 December 2014 pending the issue of the Joint Announcement

"Latest Practicable Date"	28 August 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Leasing Income Valuation of Beijing Bayhood No. 9 Club"	the valuation of Beijing Bayhood No. 9 Club which is prepared for the purpose of assessing impairment on goodwill and based on the discounted cashflow of rental income to be received by BJ Bayhood No. 9 Co up to 31 December 2051 in accordance with the Club Lease Agreement and the annual rental payable by BJ Bayhood No. 9 Co to the lessor of the Club Land
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Motor Vehicle Licence Agreement"	the agreement to be executed by Jiuhao Health Group and BJ Bayhood No. 9 Co at Completion, pursuant to which Jiuhao Health Group shall have a right to use the motor vehicles and the relevant motor vehicle licenses registered under BJ Bayhood No. 9 Co for an infinite period after Completion
"Mr. Yuen"	Mr. Yuen Hoi Po, a substantial shareholder, the chairman and an executive director of Jiuhao Health
"New Jiuhao Health Share(s)"	the new ordinary share(s) of HK$0.02 each in the share capital of Jiuhao Health after the Capital Reduction becoming effective on 25 August 2015
"Performance Benchmark"	certain quality standards in respect of the operational performance of Beijing Bayhood No. 9 Club which have been agreed between Jiuhao Health and Eternity, details of which are set in the paragraph headed "2.2 The Club Lease Agreement" in this circular
"Phase I Hotel Villas"	the first phase development of hotel villas on the Subject Land, which involves erecting 9 hotel villas with total gross floor area of 21,661 square meters
"Phase II Hotel Villas"	the second phase development of hotel villas on the Subject Land, which involves erecting 29 hotel villas with total gross floor area of 33,000 square meters
"Phase III Hotel Apartments"	the third phase development of high-end hotel apartments on the Subject Land, which is a development of a five-storey luxury high-end hotel apartment complex with restaurants, multi-function room facilities and approximately 100 hotel apartment units with total gross floor area of 25,000 square meters

"PRC"	the People's Republic of China but excluding, for the purposes of this circular, Hong Kong, Taiwan and the Macau Special Administrative Region
"Preliminary Valuations"	the indicative valuations in respect of Beijing Bayhood No. 9 Club and the Proposed Development Project as at 30 September 2014 prepared by American Appraisal China Limited, an independent valuer appointed by Eternity
"Proposed Distribution"	the proposed distribution to every Jiuhao Health Shareholder whose name shall appear on Jiuhao Health's shareholders register as at a record date to be determined and announced by Jiuhao Health, proportional to their interests in the total issued share capital of Jiuhao Health: (i) HK$500 million in cash; and (ii) 1,500,000,000 Eternity Consideration Shares which will be allotted and issued to all Jiuhao Health Shareholders pursuant to the Distribution Assignment as set out in the Share Entitlement Note to be made from any of or all of the share premium account, retained earnings and/or distributable reserve account of Jiuhao Health, that Jiuhao Health Directors, in their sole discretion, consider appropriate and in accordance with the articles of association of Jiuhao Health, the order of the Cayman Islands Court sanctioning the Capital Reduction and all applicable laws and rules
"Proposed Development Project"	the proposed project of hotel villas and high-end hotel apartments to be erected on the Subject Land, which is divided into the three phases, namely, the Phase I Hotel Villas, the Phase II Hotel Villas and the Phase III Hotel Apartments
"SEN Distribution"	the assignment of the Share Entitlement Note by the SEN Holder whereby the rights and benefits of the SEN Holder under the Share Entitlement Note shall be assigned to the shareholders of the SEN Holder
"SEN Holder"	holder of the Share Entitlement Note
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"SGM"	the special general meeting of Eternity to be convened and held at Meeting Room (Soho 2), 6/F., ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Thursday, 17 September 2015 at 10:30 a.m. to consider and, if thought fit, approve, among others, the Transactions and the issue of the Eternity Consideration Shares under a specific mandate
"S&P Agreement"	the sale and purchase agreement dated 11 December 2014 entered into between Eternity as purchaser, the Vendor as vendor and Jiuhao Health as guarantor in relation to the Transactions (as amended and supplemented by the supplemental sale and purchase agreements dated 30 March 2015 and 12 June 2015 respectively entered into by parties to the S&P Agreement)
"Share Entitlement Note"	the note which confers the Allotment Right as part of the Consideration with an aggregate value of HK$1,050 million
"Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of Eternity or the Company
"Shareholder(s)"	holder(s) of the issued Share(s)
"Shareholder's Loan"	a loan due from the Target Company to the Vendor
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subject Land"	being the land of approximately 580 Chinese acres (equivalent to approximately 387,000 square metres), adjacent to the Club Land
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers issued by the Securities and Futures Commission in Hong Kong as amended from time to time
"Target Company"	Smart Title Limited, a company incorporated in the BVI with limited liability, an investment holding company and the entire issued shares of which is owned by the Vendor

"Target Group"	the Target Company and its subsidiaries
"Trademark Licence Agreement"	the agreement to be executed by Jiuhao Health Group and BJ Bayhood No. 9 Co at Completion, pursuant to which Jiuhao Health Group shall have a right to continue to use the "Jiuhao" trademark (which is registered under BJ Bayhood No. 9 Co) at nil consideration for one year after the Completion
"Transactions"	pursuant to the S&P Agreement, (i) the Vendor conditionally agreed to sell and Eternity conditionally agreed to purchase the entire shareholding interest in the Target Company; and (ii) the Vendor agreed to assign the benefit and interest in the Shareholder's Loan to Eternity upon Completion free from encumbrances
"Transaction Documents"	the S&P Agreement, the assignment of the Shareholder's Loan to be entered into between Jiuhao Health Group, Eternity and the Vendor, the Club Lease Agreement, the Motor Vehicle Licence Agreement and the Trademark Licence Agreement
"Twin Success"	Twin Success International Limited, a company incorporated in the BVI with limited liability and a substantial shareholder of Eternity holding 105,708,000 Shares as at the date of the S&P Agreement and 211,416,000 Shares as at the Latest Practicable Date
"Twin Success Undertaking"	the irrevocable undertaking given by Twin Success to Eternity and the Underwriter under the Underwriting Agreement to take up in full its provisional entitlements under the Eternity Rights Issue to subscribe for 105,708,000 Eternity Rights Shares
"Underwriter"	Kingston Securities Limited, the underwriter of the Eternity Rights Issue
"Underwriting Agreement"	the underwriting agreement dated 15 May 2015 (as amended by a deed of variation dated 20 May 2015 pursuant to which the definitions of (i) the Latest Lodging Date, (ii) the Latest Time for Acceptance, (iii) the Latest Time for Termination, (iv) the Prospectus Posting Date and (v) the Record Date used in connection with the Eternity Rights Issue were subsequently amended) entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Eternity Rights Issue

"Vendor"	Unique Talent Group Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Jiuhao Health
"Vendor's Material Adverse Change"	any change, event, circumstance or other matter that has, or would reasonably be expected to have, either individually or in the aggregate, a material adverse effect on: (i) the ability of any of the Vendor, Jiuhao Health or any member of the Jiuhao Health Group to perform its respective obligations under the Transaction Documents; or (ii) the business, assets and liabilities, condition (financial or otherwise), results of operations of the Target Group as a whole
"VSD Circular"	the circular containing information required under the Listing Rules in relation to, among others, (i) the S&P Agreement; (ii) the Proposed Distribution; and (iii) the notice of the VSD EGM, despatched to Jiuhao Health Shareholders on 23 June 2015
"VSD EGM"	the extraordinary general meeting of Jiuhao Health held on Monday, 13 July 2015 at which the Transactions and the Proposed Distribution were approved
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

This circular contains translation between HK$ and RMB at RMB1=HK$1.27. The translation shall not be taken as representation that the HK$ amount could actually be converted into RMB at that rate, or at all.

ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

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

Independent Non-executive Directors:
Mr. Wan Shing Chi
Mr. Ng Heung Yan
Mr. Wong Tak Chuen

Registered office:
Clarendon House
2 Church Street
Hamilton, HM11
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

31 August 2015

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

Dear Sir or Madam,

(I) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF THE ENTIRE SHAREHOLDING INTEREST IN SMART TITLE LIMITED AND SHAREHOLDER'S LOAN DUE FROM SMART TITLE LIMITED AND SPECIFIC MANDATE TO ISSUE NEW SHARES

AND

(II) NOTICE OF SPECIAL GENERAL MEETING

1. INTRODUCTION

The Board announced in the Joint Announcement that on 11 December 2014, after trading hours, Eternity as the purchaser, Vendor as the vendor and Jiuhao Health as the guarantor to Vendor entered into the S&P Agreement pursuant to which, (i) the Vendor conditionally agreed to sell, and Eternity conditionally agreed to purchase, the entire shareholding interest in the Target Company; and (ii) the Vendor agreed to assign the benefit and interest in the Shareholder's Loan to Eternity upon Completion free from encumbrance.

Given the expertise and resources of Jiuhao Health Group, Eternity and the Vendor also agreed that, after the Completion, the assets relevant to the operations of Beijing Bayhood No. 9 Club will be leased to Jiuhao Health Group for an initial term of 20 years, which may be further extended to 31 December 2051 if Jiuhao Health Group requests so within a six-month period before the expiry of the initial 20 year-term (as described in the paragraph headed "2.2 The Club Lease Agreement" below), and Jiuhao Health Group will continue to operate the businesses of Beijing Bayhood No. 9 Club during the period. In addition, Jiuhao Health Group shall have a right to continue to use the motor vehicles and the relevant motor vehicle licenses registered under BJ Bayhood No. 9 Co after the Completion for an infinite period at nil consideration and shall have a right to continue to use the "Jiuhao" trademark (which is registered under BJ Bayhood No. 9 Co) at nil consideration for one year after the Completion. Accordingly, Eternity and the Vendor also agreed that, Jiuhao Health or its subsidiary (where applicable) and BJ Bayhood No. 9 Co shall execute (i) the Club Lease Agreement; (ii) the Motor Vehicle Licence Agreement; and (iii) the Trademark Licence Agreement at Completion to give effect to the above.

The purpose of this circular is to provide, among other things, (i) the information required under the Listing Rules in relation to S&P Agreement and the transactions contemplated thereunder, including the allotment and issue of the Eternity Consideration Shares under a specific mandate; (ii) the financial information of the Group; (iii) the accountants' report of the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the valuation reports on Beijing Bayhood No. 9 Club and the Proposed Development Project prepared by American Appraisal China Limited; (vi) the valuation report on the property located on the Club Land and the Subject Land prepared by American Appraisal China Limited and (vii) the notice convening the SGM.

2. THE TRANSACTIONS

2.1 The S&P Agreement

Date	11 December 2014
Parties	
Vendor:	Unique Talent Group Limited, which is incorporated in the BVI with limited liability and is an investment holding company. It is a direct wholly-owned subsidiary of Jiuhao Health.
Purchaser:	Eternity
Guarantor:	Jiuhao Health

Jiuhao Health is principally engaged in (i) the provision of online healthcare service; (ii) the provision of offline healthcare and wellness services; and (iii) media business.

Eternity is principally engaged in distribution of films, sub-licensing of film rights, sale of financial assets, property investment, money lending, design and sale of jewelry products, and development, distribution and marketing of personal care treatments, products and services. On 15 April 2015, Eternity issued an announcement relating to, among other things, a major transaction on the deemed disposal of shareholding interest in EDS as a result of the issue of new EDS Shares and new convertible preferred shares by EDS to Independent Third Parties. EDS is principally engaged in the development, distribution and marketing of personal care treatments, products and services. As at the Latest Practicable Date, the Group held 52,500,000 EDS Shares, representing approximately 70.18% of the existing issued share capital of EDS. Upon completion of the issue of new EDS Shares and new convertible preferred shares by EDS to Independent Third Parties, EDS will cease to be a subsidiary of the Group and Eternity will no longer be engaged in the development, distribution and marketing of personal care treatments, products and services.

On the date of the S&P Agreement and up to and including the date of the Joint Announcement, the Group held 190,000,000 Former Jiuhao Health Shares, representing approximately 2.90% of the total Former Jiuhao Health Shares in issue. On 18 May 2015, Eternity appointed a placing agent to place the 190,000,000 Former Jiuhao Health Shares held by the Group to professional, institutional and other investors, who are third parties independent of Eternity, Jiuhao Health and their respective associates, on a fully underwritten basis. Such placing was completed on 21 May 2015.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor, Jiuhao Health and their respective ultimate beneficial owners are third parties independent of Eternity and its connected persons.

Subject matters

Pursuant to the S&P Agreement, (i) the Vendor conditionally agreed to sell, and Eternity conditionally agreed to purchase, the entire shareholding interest in the Target Company; and (ii) the Vendor agreed to assign the benefit and interest in the Shareholder's Loan to Eternity upon Completion free from encumbrances.

Consideration

Pursuant to the S&P Agreement, the Consideration payable for the sale and purchase of the entire shareholding interest in the Target Company and the assignment of the Shareholder's Loan is agreed at HK$1,650 million in aggregate. The Consideration shall be settled in the following manner:

1. HK$60 million of the Consideration has been paid in cash by Eternity upon the signing of the S&P Agreement as the refundable deposit by cashier's order drawn in the name of Jiuhao Health, which shall, subject to the terms and conditions set out in the S&P Agreement, be applied as partial payment of the Consideration upon Completion;

2. on Completion, HK$540 million of the Consideration shall be paid in cash by Eternity to Jiuhao Health by (i) telegraphic transfer for same day value to the bank account as specified by Jiuhao Health not less than three Business Days prior to the Completion Date; or (ii) cashier's order drawn in the name of Jiuhao Health;

3. on Completion, Eternity shall in accordance with the instructions of the Vendor issue to Jiuhao Health the Share Entitlement Note, which shall entitle the SEN Holder the right to call for the issue of 1,500,000,000 Eternity Consideration Shares at an issue price of HK$0.70 per Eternity Consideration Share; and

4. the Vendor confirms that the receipt of payment of the cash portion of the Consideration by Jiuhao Health pursuant to 1 and 2 above shall be the evidence for the satisfaction of payment of the cash portion of the Consideration by Eternity pursuant to the S&P Agreement.

The Consideration of HK$1,650 million was arrived at after arm's length negotiations between the parties to the S&P Agreement with reference to the Adjusted Combined NAV as at 30 September 2014 prepared by the Vendor. Information of the Adjusted Combined NAV as at 30 September 2014 is disclosed in the section headed "3. INFORMATION OF THE TARGET GROUP" below. The Shareholder's Loan of approximately HK$1,076 million as at the date of the S&P Agreement will be assigned to Eternity upon Completion.

At the time of entering into the S&P Agreement, the Directors for information purpose have engaged American Appraisal China Limited, an independent valuer, to evaluate the values of Beijing Bayhood No. 9 Club and the Proposed Development Project as at 30 September 2014. American Appraisal China Limited has provided Eternity with indicative values of Beijing Bayhood No. 9 Club and the Proposed Development Project as at 30 September 2014 based on the business plan and financial forecast provided by Eternity as approximately RMB342 million (equivalent to approximately HK$434.34 million) and RMB888 million (equivalent to approximately HK$1,127.76 million) respectively. As described in the Joint Announcement, the Preliminary Valuations may be subject to change and may or may not therefore be the same as the Final Valuations.

The Final Valuations, including details of the assumptions, basis and methodology of the valuations as at 31 March 2015, are set out in Appendix V to this circular. American Appraisal China Limited has provided Eternity with the final values of Beijing Bayhood No. 9 Club and the Proposed Development Project as at 31 March 2015 amounting to approximately RMB302 million (equivalent to approximately HK$383.54 million) and RMB891 million (equivalent to approximately HK$1,131.57 million) respectively.

The combined Final Valuations of Beijing Bayhood No. 9 Club and the Proposed Development Project are in aggregate approximately RMB37.00 million (equivalent to approximately HK$46.99 million) lower than the Preliminary Valuations. The decrease in the Final Valuations as compared to the Preliminary Valuations is mainly attributable to a RMB40.00 million (equivalent to approximately HK$50.80 million) decrease in the final value of Beijing Bayhood No. 9 Club, which is partly offset by the RMB3 million (equivalent to approximately HK$3.81 million) increase in final value of the Proposed Development Project. The decrease in the final value of Beijing Bayhood No. 9 Club is attributable to (i) the decrease in the cash and bank balance of Beijing Bayhood No. 9 Club by approximately RMB17 million (equivalent to approximately HK$21.59 million) during the period from 30 September 2014 to 31 March 2015, which is resulted from the annual closure of the golf course of Beijing Bayhood No. 9 Club for winter season; and (ii) the lowering of the projected net operating cash inflow in preparing the Final Valuation in respect of Beijing Bayhood No. 9 Club to reflect the decrease in revenue generated from food and beverage in the financial year of 2014 as compared to 2013.

As the Final Valuations are prepared using discounted cashflow method, based on the business plan and financial forecast provided by Eternity, they constitute profit forecast under Rule 14.61 of the Listing Rules. A letter from Eternity's reporting accountants and the confirmation from Eternity's financial adviser with respect to the Final Valuations as required under Rule 14.62 of the Listing Rules are provided to the Board and the information of which is also disclosed in Appendices VI and VII to this circular.

Given that Beijing Bayhood No. 9 Club has been operating for over seven years and the construction of the Phase I Hotel Villas is substantially completed (as further described in the section headed "4. REASONS FOR AND BENEFITS OF THE TRANSACTIONS" below), the Directors believe that it is justifiable to negotiate the Consideration primarily with reference to the Adjusted Combined NAV as at 30 September 2014 as opposed to the results of the Preliminary Valuations which were prepared for information purpose only and is subject to the continuously changing market conditions and policy changes in the PRC golf industry and property market.

As mentioned above, the Consideration was agreed between the parties with reference to the Adjusted Combined NAV as at 30 September 2014. The Consideration of HK$1,650 million represents a premium of approximately 4.4% over the Adjusted Combined NAV as at 30 September 2014.

Taking into account, among others, (i) the basis underlying the negotiation of the Consideration; (ii) the settlement method of the Consideration, being a combination of cash and consideration shares; (iii) the issue price of HK$0.70 per Eternity Consideration Share which represents a discount of approximately 1.41% to the average closing price of HK$0.71 per Share for the last five consecutive trading days immediately prior to the Last Trading Day; and (iv) the reasons for and benefits of the Transactions for Eternity, the Directors (including the independent non-executive Directors) are of the view that the Consideration representing a premium of approximately 4.4% over the Adjusted Combined NAV as at 30 September 2014 is fair and reasonable and in the interests of Eternity and the Shareholders as a whole. Details of the Adjusted Combined NAV as at 30 September 2014 are disclosed in the section headed "3. INFORMATION OF THE TARGET GROUP" below.

The Directors note that the final values from the Final Valuations and the indicative values from the Preliminary Valuations are not materially lower than (i) the Consideration; and (ii) the valuations previously disclosed in the transactions announced by Jiuhao Health in its circulars dated 17 June 2011 and 8 August 2012 respectively. The Directors also noted the key reasons for such difference in value are due to the continuously changing market conditions and policy changes in the PRC golf industry and property market; notwithstanding that there has been no material change to the business plan of the Target Group. Despite the reasons for the difference in values as mentioned above, the Directors consider that the Consideration, which represents a 8.90% premium over the Final Valuations, is acceptable in view of the time consumed and resources employed by Jiuhao Health in consolidating the rights to construct and operate Beijing Bayhood No. 9 Club and the rights to develop and operate the Subject Land in the Target Group as if a single piece of asset, which provides the synergy effects of having Beijing Bayhood No. 9 Club and the Subject Land as discussed in the paragraph headed "The expected business relationship between Beijing Bayhood No. 9 Club and the Subject Land upon Completion" below, and bringing the Phase I Hotel Villas at a substantially completed stage, which is expected to be completed in the fourth quarter of 2015.

Given that (i) the Consideration was determined with reference to the Adjusted Combined NAV as at 30 September 2014; (ii) the Preliminary Valuations already indicated values close to the Consideration; (iii) the decrease in the Final Valuations as compared to the Preliminary Valuations is justifiable and does not involve any material adverse change on Beijing Bayhood No. 9 Club; and (iv) the Consideration representing a 8.90% premium over the Final Valuations is acceptable as discussed in the above paragraph, the Directors believe that it is fair and reasonable to determine the Consideration based primarily on the actual financial figures of the Target Group as opposed to the results of the Preliminary Valuations which is subject to the continuously changing market conditions and policy changes in the PRC golf industry and property market. Furthermore, the Preliminary Valuations and the Final Valuations provide the management of Eternity with reference values of Beijing Bayhood No. 9 Club and the Proposed Development Project, which contribute substantially to the net asset value of the Target Group. Accordingly, the Directors believe that this further reaffirm their justification to only take into account the Adjusted Combined NAV as at 30 September 2014 as the basis for the Consideration.

Source of funds of Eternity to finance the Transactions

At the close of business on 30 June 2015, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this circular, the Group had HK$599.03 million cash and cash equivalent on hand (after deducting the restricted bank deposits and the subscription money received by EDS in relation to the proposed issue of new EDS Shares and new convertible preferred shares by EDS). In addition, the Group holds a portfolio of financial assets for trading purposes which could be readily realised into cash. As at 30 June 2015, the market value of those financial assets amounted to approximately HK$786.83 million.

For the HK$60 million refundable deposit, Eternity has paid by its cash resources. The remaining balance of HK$540.00 million will be financed by the net proceeds from the Eternity Rights Issue of approximately HK$402.70 million, the rental income for the first five years of RMB90.00 million (equivalent to approximately HK$114.30 million) under the Club Lease Agreement and the Group's internal resources of approximately HK$23.00 million.

Conditions precedent

Completion shall be subject to the satisfaction or waiver of the following conditions:

1. the passing of resolutions by Jiuhao Health Shareholders in general meeting (in terms reasonably satisfactory to Eternity) approving (i) the entering into of the S&P Agreement and the transactions contemplated thereunder in accordance with the Listing Rules; (ii) the Capital Reduction and the reduction of share premium for enabling the Proposed Distribution in accordance with the applicable laws; and (iii) the distribution in specie of the Share Entitlement Note;

2. Jiuhao Health and the Vendor having obtained all necessary approvals and consents required in relation to the S&P Agreement;

3. the filing with the Registrar of Companies in the Cayman Islands of the order of the Cayman Islands Court approving the Capital Reduction;

4. the passing of resolutions by the Shareholders in general meeting (in terms reasonably satisfactory to the Vendor) approving (i) the entering into of the S&P Agreement and the transactions contemplated thereunder; and (ii) the creation and issue of the Share Entitlement Note and the specific mandate in respect of the issue of the Eternity Consideration Shares in accordance with the requirements of the Listing Rules;

5. Eternity having obtained all necessary approvals and consents required in relation to the S&P Agreement;

6. the Listing Committee of the Stock Exchange having granted approval for the listing of, and the permission to deal in, the Eternity Consideration Shares under the S&P Agreement and such approval remains valid and effective;

7. the representations and warranties given by the Vendor under the S&P Agreement remaining true, accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the S&P Agreement and Completion;

8. there having been delivered to Eternity (i) a legal opinion in respect of the PRC subsidiaries of the Target Company and the cooperation agreements as specified under the S&P Agreement and such other matters as Eternity may reasonably require, in form and substance reasonably satisfactory to Eternity; and (ii) audited financial statements with an unqualified opinion in respect of the Target Group;

9. the Vendor having complied in all material respect with the obligations specified under the S&P Agreement and otherwise having performed all of the covenants and agreements required to be performed by it under the S&P Agreement and Jiuhao Health having complied in all material respect with the obligations specified in the S&P Agreement and otherwise having performed all of the covenants and agreements required to be performed by it under the S&P Agreement;

10. there having been no Vendor's Material Adverse Change or Eternity's Material Adverse Change since the date of the S&P Agreement;

11. no statute, regulation or decision which would reasonably be expected to prohibit, restrict or materially delay the execution, delivery or performance of the Transaction Documents, the consummation of the Transactions or the operation of the members of the Target Group after Completion having been proposed, enacted or taken by any governmental or official authority whether in Hong Kong, the PRC or elsewhere; and

12. the Eternity Rights Issue having been completed in accordance with its terms.

Eternity may in its absolute discretion waive either in whole or in part at any time by notice in writing to the solicitors of the Vendor any of the above conditions (save for conditions 1, 3, 4, 5, 6 and 10 set out above).

As at the Latest Practicable Date, conditions 1, 3 and 12 have been fulfilled and Eternity did not have any intention to waive any of the conditions.

Eternity currently cannot envisage any circumstances which may lead to its exercise of such discretion to waive the relevant waivable conditions. In the event it does exercise such discretion, it will be performed in the best interests of Eternity and the Shareholders as a whole and the relevant information will be disclosed as appropriate.

In the event that any of the conditions shall not have been fulfilled (or waived if applicable, pursuant to the S&P Agreement) prior to 31 December 2015 (or such other date as may be agreed in writing by the parties to the S&P Agreement), then Eternity or the Vendor shall not be bound to proceed with the Transactions and the Vendor shall within five Business Days after Eternity notifies the Vendor in writing the non-fulfillment of any of the above conditions refund in cash the deposit of HK$60 million (without any interest) to Eternity by (i) telegraphic transfer to the bank account of Eternity as specified under the S&P Agreement for value on the same day; or (ii) cashier's order drawn in the name of Eternity, upon which the S&P Agreement shall cease to be of any effect save for the clauses in relation to the rights of Eternity and the Vendor to terminate and save in respect of claims arising out of any antecedent breach of the S&P Agreement.

On 12 June 2015, the Board announced that the parties to the S&P Agreement entered into another supplemental agreement, pursuant to which the parties agreed to extend the long stop date of the fulfillment of the above conditions precedents from 31 August 2015 to 31 December 2015.

As described in the section headed "3. INFORMATION OF THE TARGET GROUP", the Target Group does not hold the land use rights certificates of the Club Land and the Subject Land and instead uses the Club Land and the Subject Land through contractual arrangements. Hence, the existence of the relevant land use rights certificates, permits and approvals of the Club Land and the Subject Land is not set as a condition precedent.

Notwithstanding that the Target Group does not hold the land use rights certificates of the Club Land and the Subject Land and instead uses the Club Land and the Subject Land through contractual arrangements mentioned in the section headed "3. INFORMATION OF THE TARGET GROUP" of this circular, as a condition precedent to the Completion (see condition 8 above), a satisfactory PRC legal opinion to be issued by Eternity's PRC legal adviser in respect of, amongst other things, the cooperation agreements relating to the rights over the Club Land and the Subject Land and such other matters which Eternity may reasonably require shall be provided.

In connection with the issue of the above PRC legal opinion, (a) Eternity has engaged a PRC legal adviser to perform legal due diligence in respect of the Target Group and so far no material adverse matters were discovered; and (b) Eternity has been advised by such PRC legal adviser that (i) the contractual arrangements have been properly executed and are legally binding and enforceable; (ii) the change of the ultimate ownership of the Target Group under the Transactions will not affect the legality and enforceability of the contractual arrangements; and (iii) as long as Jiuhao Health Group and the Group can complete the necessary procedures and/or seek appropriate approvals from the relevant authorities, it is not expected to result in any legal impediments to the Group's use of the Club Land and the Subject Land through contractual arrangements following the Completion and the Group's acquisition of the Target Group pursuant to the S&P Agreement.

Taking into account the above, the Directors believe that by having condition 8 above, Eternity will have adequate opportunity to evaluate the legal aspects of the Club Land and the Subject Land prior to the Completion.

Guarantee and indemnity

Jiuhao Health as the guarantor to the S&P Agreement irrevocably and unconditionally:

1. guarantees to Eternity punctual performance by the Vendor and Jiuhao Health (including its subsidiaries) of all the Vendor's and Jiuhao Health's (including Jiuhao Health's subsidiaries) obligations under the Transaction Documents;

2. undertakes with Eternity that whenever the Vendor does not pay any amount when due under or in connection with the Transaction Documents, Jiuhao Health shall immediately on demand and without deduction or withholding pay that amount as if it was the principal obligor; and

3. undertakes with Eternity that if, for any reason, any amount claimed by Eternity under the S&P Agreement is not recoverable on the basis of a guarantee, Jiuhao Health will be liable as principal obligor to indemnify Eternity immediately on demand against any losses suffered by Eternity:

   (i) in consequence of the Vendor's failure to perform any of its obligations under the Transaction Documents; or

   (ii) if any obligation guaranteed by Jiuhao Health is or becomes unenforceable, invalid or illegal.

The amount of the losses payable by Jiuhao Health under this indemnity will not exceed the amount which Eternity would otherwise have been entitled to recover on the basis of a guarantee.

Completion

Subject to the conditions precedent having been satisfied (or waived if applicable), Completion shall take place within 20 Business Days following the day on which the conditions precedent are fulfilled (or waived if applicable, pursuant to the S&P Agreement) or such later date as agreed by parties to the S&P Agreement in writing.

Upon Completion, the Target Company will cease to be a subsidiary of Jiuhao Health and will become a wholly-owned subsidiary of Eternity and therefore the financial results of the Target Group will be consolidated into the accounts of the Group.

The Share Entitlement Note

On Completion, HK$1,050 million of the Consideration shall be settled by the issue of the Share Entitlement Note by Eternity to Jiuhao Health. The Share Entitlement Note shall confer the Allotment Right to call on Eternity to allot and issue up to a maximum of 1,500,000,000 Eternity Consideration Shares to Jiuhao Health's assignee(s) upon Completion.

Eternity will seek the grant of a specific mandate at the SGM for the allotment and issue of the 1,500,000,000 Eternity Consideration Shares. An application will be made by Eternity to the Stock Exchange for the listing of, and permission to deal in, the 1,500,000,000 Eternity Consideration Shares.

The issue price of HK$0.70 per Eternity Consideration Share represents:

1. 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;

2. a discount of approximately 2.10% to the theoretical ex-entitlement price of HK$0.715 based on the closing price of HK$0.73 per Share as quoted on the Stock Exchange on the Last Trading Day;

3. a discount of approximately 1.41% to the average closing price of HK$0.71 per Share for the last five consecutive trading days immediately prior to the Last Trading Day;

4. a premium of approximately 34.62% to the closing price of HK$0.52 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

5. a premium of approximately 35.40% to the average closing price of HK$0.517 per Share for the last five consecutive trading days immediately prior to the Latest Practicable Date; and

6. 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 issue price was determined after arm's length negotiations between Eternity and the Vendor with reference to, among others, the prevailing market price of the Shares under the then market conditions, and the 4.4% premium of the Consideration over the Adjusted Combined NAV as at 30 September 2014 (as described in the section headed "3. INFORMATION OF THE TARGET GROUP" below).

In addition, the issue price per Eternity Consideration Share is the same as the subscription price per Eternity Rights Share under the Eternity Rights Issue. As described in the prospectus of Eternity dated 29 July 2015 relating to the Eternity Rights Issue, the subscription price per Eternity Rights Share was determined after arm's length negotiations between Eternity and the Underwriter with reference to, among others, the prevailing market price of the Shares under the then market conditions.

In negotiating the issue price per Eternity Consideration Share, the Company and the Vendor have never taken the consolidated net assets of the Group attributable to owners of the Company per Share into consideration as both parties believe that the consolidated net assets of the Group attributable to owners of the Company per Share is an accounting measure of the Group's assets and liabilities divided by the number of Shares in issue, which does not reflect the fair value of the Shares.

Instead, the prevailing market price of the Shares under the then market conditions was used by the Company and the Vendor as the basis for negotiating the issue price per Eternity Consideration Share. The Directors consider that the use of the prevailing market prices of the Shares as the basis is fair on the following grounds:

1. the market price of the Shares is objective;

2. the market price is the best evidence of fair value for the Shares, given that fair value is defined in the terms of a price agreed by a knowledgeable, willing buyer and a knowledgeable, willing seller; and

3. the market price is the appropriate measurement of fair value for the Shares, which are listed on the Main Board of the Stock Exchange (a highly regulated open market), in accordance with Hong Kong Accounting Standard 39 *Financial Instruments: Recognition and Measurement*.

In addition, the issue price of HK$0.70 per Eternity Consideration Share is same as the subscription price of HK$0.70 per Eternity Rights Share under the Eternity Rights Issue, in which the existing qualifying Shareholders and the Vendor are having the same price of HK$0.70 per Share to participate in the Company's future.

Taking into account (i) the discount relative to the issue price per Eternity Consideration Share mentioned above, (ii) the prevailing market price of the Shares under the then market conditions (i.e. prior to the suspension of trading of the Shares with effect from 12 December 2014); (iii) the premium of the Consideration over the Adjusted Combined NAV as at 30 September 2014 (see description in the section headed "3. INFORMATION OF THE TARGET GROUP" below); (iv) the basis underlying the negotiation of the Consideration; (v) the settlement method of the Consideration, being a combination of cash and consideration shares; (vi) the reasons for and benefits of the Transactions for Eternity; and (vii) the issue price per Eternity Consideration Share is the same as the subscription price per Eternity Rights Share under the Eternity Rights Issue, which was determined between Eternity and the Underwriter being an Independent Third Party, the Directors are of the view that the issue price of HK$0.70 per Eternity Consideration Share is fair and reasonable.

The principal terms of the Share Entitlement Note pursuant to the S&P Agreement are as follows:

Entitlement:	Jiuhao Health (being the SEN Holder) is entitled to, subject as provided in the Share Entitlement Note and to any applicable laws and regulations and in the manner described under the Share Entitlement Note, on one occasion only, assign the right to receive up to a maximum of 1,500,000,000 credited as fully paid Shares based on the conditions of the Share Entitlement Note without having to make any payment.
Assignment:	No assignment or transfer (whether in whole or in part) of the Share Entitlement Note may be made unless the Share Entitlement Note shall be assigned by Jiuhao Health once only whereby the rights and benefits of Jiuhao Health under the Share Entitlement Note shall be assigned to the Jiuhao Health Shareholders as at the record date to be determined by Jiuhao Health on a pro rata basis or an agent of Jiuhao Health to dispose of any fractional entitlement or entitlement of Jiuhao Health Overseas Shareholders as detailed below. The Distribution Assignment shall be effective upon delivery of a notice of assignment duly executed by or on behalf of Jiuhao Health setting out (i) the names and addresses of the assignees and the respective parts of the Allotment Right (in terms of the numbers of Eternity Consideration Shares entitled, which shall be whole numbers) to be assigned to the Jiuhao Health Shareholders; and (ii) any parts of the Allotment Right in respect of any fractional entitlement or entitlement of Jiuhao Health Overseas Shareholders which shall be disposed of by an agent of Jiuhao Health as detailed below together with relevant form of certificate to Eternity.

Jiuhao Health shall appoint an agent to dispose of (i) any entitlement under the Allotment Right which has not been assigned to Jiuhao Health Shareholders under the Proposed Distribution due to retention of fractional entitlements for the benefit of Jiuhao Health or rounding down of the entitlements of the Jiuhao Health Shareholders or their respective nominees (as the case may be), for the benefit of Jiuhao Health; and (ii) any entitlement of Jiuhao Health Overseas Shareholders, for the benefit of the Jiuhao Health Overseas Shareholders.

Exercise: The Allotment Right shall not be exercisable by Jiuhao Health and Jiuhao Health shall also not be entitled to receive any Eternity Consideration Shares under the Share Entitlement Note, except that the agent appointed by Jiuhao Health may exercise the relevant part of the Allotment Right and dispose of any Eternity Consideration Shares derived under (i) any entitlement under the Allotment Right which has not been assigned to Jiuhao Health Shareholders under the Proposed Distribution due to retention of fractional entitlements for the benefit of Jiuhao Health or rounding down of the entitlements of the Jiuhao Health Shareholders or their respective nominees (as the case may be), for the benefit of Jiuhao Health; and (ii) any entitlement of Jiuhao Health Overseas Shareholders, for the benefit of the Jiuhao Health Overseas Shareholders.

The Allotment Right shall be deemed to be automatically exercised in full by the relevant assignee(s) upon an assignment under the SEN Distribution to the intent that the relevant Eternity Consideration Shares (but not the Share Entitlement Note) shall be allotted and issued to the assignee(s) as soon as practicable. Jiuhao Health shall not be entitled to receive any Eternity Consideration Shares to be issued under the Share Entitlement Note.

Accordingly, Jiuhao Health Shareholders will not receive the Share Entitlement Note but will receive Eternity Consideration Shares directly under the Proposed Distribution.

Eternity shall ensure that the Eternity Consideration Shares (to be allotted and issued pursuant to the Share Entitlement Note) shall be duly and validly issued credited as fully paid and registered and rank pari passu in all respects among themselves and with all other Shares outstanding on the Allotment Date and be entitled to all dividends and other distributions on the record date of which falls on a date on or after the Allotment Date.

As the Share Entitlement Note is to be issued to Jiuhao Health (which is not a connected person of Eternity) in satisfaction of part of the Consideration payable by Eternity under the S&P Agreement, any issue and allotment of Eternity Consideration Shares pursuant thereto upon distribution of the Share Entitlement Note by Jiuhao Health to any Jiuhao Health Shareholder who happens to be a connected person of Eternity will not constitute a connected transaction under the Listing Rules for Eternity as the Proposed Distribution is to be made by Jiuhao Health and there is no transaction between Eternity and such Jiuhao Health Shareholder(s).

Voting: Jiuhao Health will not be entitled to attend or vote at any meetings of Eternity by reason only of it being the SEN Holder.

Interest, entitlement to dividend payment or redemption right: The Share Entitlement Note shall not bear any interest and Jiuhao Health, as the SEN Holder, shall not be entitled to any dividends and other distributions or income made or declared by Eternity by reason of being the SEN Holder. No part of the Share Entitlement Note can be redeemed for cash or other entitlements not provided for under the terms and conditions of the Share Entitlement Note.

Listing: No application will be made for the listing of the Share Entitlement Note.

Based on the register of members of Jiuhao Health, there were 605 Jiuhao Health Shareholders, including 6,596,377,519 Former Jiuhao Health Shares held by the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited, as at 31 July 2015.

Reasons for the issue of the Share Entitlement Note

Jiuhao Health considers that the Share Entitlement Note shall facilitate the efficient processing of the Proposed Distribution and as the Share Entitlement Note is to be issued to Jiuhao Health (which is not a connected person of Eternity) in satisfaction of part of the Consideration payable by Eternity pursuant to the S&P Agreement, any allotment and issue of Eternity Consideration Shares pursuant thereto upon distribution of the Share Entitlement Note by Jiuhao Health to any Jiuhao Health Shareholder who happens to be a connected person of Eternity will not constitute a connected transaction under the Listing Rules for Eternity as the Proposed Distribution is to be made by Jiuhao Health to the Jiuhao Health Shareholders and there is no transaction between Eternity and such Jiuhao Health Shareholder(s).

From Eternity's perspective, the Consideration is the same whether it first issues the Share Entitlement Note and subsequently issues the Eternity Consideration Shares thereunder or issue the Eternity Consideration Shares directly given that the number of Eternity Consideration Shares issuable have been fixed. The issue of the Share Entitlement Note by Eternity is purely to facilitate the Proposed Distribution at Jiuhao Health's request which, in turn, will also help to expand Eternity's shareholder base and may even enhance the liquidity of the Shares in the market.

Furthermore, it is not the intention of Eternity to give any party (in particular, Jiuhao Health) the right to control 30% or more of the voting rights of Eternity as a result of the issuance of the Eternity Consideration Shares on Completion. At the same time, the Directors understand that it is the intention of Jiuhao Health to undertake the Proposed Distribution. The parties therefore consider that the Share Entitlement Note is most suitable to meet their respective objectives. The Share Entitlement Note confers no voting right on the SEN Holder save that the SEN Holder may appoint an agent to dispose of the Eternity Consideration Shares resulting from non-allocation due to fractional entitlements and/or in respect of any entitlements of the Jiuhao Health Overseas Shareholders.

Taking into account the above, the Directors believe that the issuance of the Share Entitlement Note is reasonable and justified.

The directors of Jiuhao Health do not envisage that there could be any circumstance where the Distribution Assignment could not be made pursuant to the Share Entitlement Note.

Also, according to Jiuhao Health, the legal advisers to Jiuhao Health confirmed to Jiuhao Health that based on the agreed form of the Share Entitlement Note and subject to the due execution and delivery of the Share Entitlement Note by Eternity to Jiuhao Health, Jiuhao Health shall have the legal right to enforce the terms and conditions of the Share Entitlement Note. The Share Entitlement Note will be issued to Jiuhao Health which will distribute it pro rata to the Jiuhao Health Shareholders by way of assignment to them. Save for fractional entitlements and any entitlement of Jiuhao Health Overseas Shareholders, the Allotment Right shall not be exercisable by Jiuhao Health but rather shall automatically be exercised upon distribution to Jiuhao Health Shareholders such that, Jiuhao Health shall not be entitled to receive any Eternity Consideration Shares under the Share Entitlement Note. With regard to fractional entitlements to Eternity Consideration Shares and any entitlement of the Jiuhao Health Overseas Shareholders under the Share Entitlement Note, Jiuhao Health will assign the relevant part of the Share Entitlement Note to an agent to sell the fractional entitlements in the market for the benefit of Jiuhao Health or the entitlements of Jiuhao Health Overseas Shareholders for the benefit of the Jiuhao Health Overseas Shareholders.

The Proposed Distribution by Jiuhao Health

It is noted that the Jiuhao Health Board has recommended the Proposed Distribution for approval by the Independent Jiuhao Health Shareholders at the VSD EGM. The Proposed Distribution will entitle every Jiuhao Health Shareholder whose name shall appear on Jiuhao Health's shareholders register as at a record date to be determined and announced by Jiuhao Health to receive, proportional to their interests in the Jiuhao Health Shares: (i) HK$500 million in cash; and (ii) 1,500,000,000 Eternity Consideration Shares which will be allotted and issued to all Jiuhao Health Shareholders pursuant to the Distribution Assignment as set out in the Share Entitlement Note.

The Proposed Distribution will be made from any or all of the share premium account, retained earnings and/or distributable reserve account of Jiuhao Health, that Jiuhao Health Directors, in their sole discretion, consider appropriate and in accordance with the articles of association of Jiuhao Health, the order of the Cayman Islands Court sanctioning the Capital Reduction and all applicable laws and rules. Jiuhao Health proposed the Capital Reduction to reduce its share capital and apply the total credit arising from the Capital Reduction to facilitate the Proposed Distribution. Further information of the Capital Reduction is set out in the separate circular issued by Jiuhao Health dated 21 May 2015. The Capital Reduction was approved at the extraordinary general meeting of Jiuhao Health held on 15 June 2015 and became effective on 25 August 2015.

Steps taken by Eternity to ensure that the Proposed Distribution will not be made to connected person of Eternity

Given that the Proposed Distribution forms part of the terms of the Share Entitlement Note, Eternity has taken the following steps to ensure the Proposed Distribution will not be made to the connected persons of Eternity:

– Firstly, the Transactions relate to the disposal of the Target Company by the Vendor to Eternity and the assignment of the Shareholder's Loan from Jiuhao Health Group to Eternity, the Jiuhao Health Shareholders are not parties to the Transactions. Further, at no point in time was any interests of any individual shareholder of Jiuhao Health taken into account by Eternity in the process leading up to the Transactions.

– Secondly, under the terms of the Transactions, the Share Entitlement Note, which has no voting rights attached thereto, will be issued to Jiuhao Health (which is not a connected person of Eternity) in satisfaction of part of the Consideration payable by Eternity pursuant to the S&P Agreement upon Completion. Therefore, the issue of the Share Entitlement Note to Jiuhao Health shall not constitute a connected transaction of Eternity under the Listing Rules.

– Thirdly, while pursuant to the Share Entitlement Note, certain rights of Jiuhao Health, being the SEN Holder will be assigned to Jiuhao Health Shareholders, such assignments are primarily transactions between Jiuhao Health and Jiuhao Health Shareholders, while Eternity will only be notified of such assignments. It is therefore considered that there is no connected transaction (as contemplated under Chapter 14A of the Listing Rules) of Eternity arising as a result of such assignments.

The Group held 190,000,000 Former Jiuhao Health Shares as at the date of the Joint Announcement. Eternity had stated in the Joint Announcement that it did not intend to participate in the Proposed Distribution. On 18 May 2015, Eternity had appointed a placing agent to place the 190,000,000 Former Jiuhao Health Shares held by the Group to professional, institutional and other investors, who are third parties independent of Eternity, Jiuhao Health and their respective associates, on a fully underwritten basis. This placing had been completed on 21 May 2015. As at the Latest Practicable Date, the Group did not hold any Jiuhao Health Shares. So far as the Directors were aware and up to the Latest Practicable Date, none of the connected persons of Eternity hold any Jiuhao Health Shares.

The Directors' assessment of the implication to the Transactions if the Proposed Distribution is made to connected persons of Eternity

Given the analysis stated in the paragraph headed "Reasons for the issue of the Share Entitlement Note" above, the Directors do not consider it is necessary to comprehensively analyse whether any Jiuhao Health Shareholder is a connected person of Eternity.

However, the Directors wish to provide further information to the Shareholders to understand the principal Hong Kong regulatory implications to the Transactions if the Proposed Distribution is made to any connected persons of Eternity.

Eternity will issue 1,500,000,000 Eternity Consideration Shares to the Jiuhao Health Shareholders through the Proposed Distribution which will in aggregate represent up to approximately 55.97% of the voting rights of Eternity as enlarged by the allotment and issue of the Eternity Consideration Shares (assuming no Shares were allotted and issued or repurchased by Eternity from the Latest Practicable Date to the record date for the Proposed Distribution).

The Eternity Consideration Shares will be allotted and issued through the Proposed Distribution to the Jiuhao Health Shareholders pro rata to their interests in the Jiuhao Health Shares. Based on the register of interests in shares and short positions required to be kept by Jiuhao Health under Part XV of the SFO as at the Latest Practicable Date, Mr. Yuen was the single largest shareholder of Jiuhao Health who was, through the companies owned by him, interested in approximately 31.10% of Jiuhao Health's issued ordinary shares, which comprises approximately 29.70% interest in issued New Jiuhao Health Shares and 1.40% interest in underlying shares of Jiuhao Health (such shares to be issued upon exercise of the conversion right attaching to the zero coupon convertible notes due 21 October 2015 with an outstanding principal amount of HK$18.60 million). Subject to fulfillment of the conditions precedent set out in the S&P Agreement, Mr. Yuen is entitled to receive up to approximately 16.62% of the Shares as enlarged by the allotment and issue of the Eternity Consideration Shares (assuming no Shares were allotted and issued or repurchased by Eternity from the Latest Practicable Date to the record date for the Proposed Distribution) upon completion of the Proposed Distribution assuming there will be no change to Mr. Yuen's interest in Jiuhao Health from the Latest Practicable Date to the record date for the Proposed Distribution (which will be determined and announced by Jiuhao Health in due course).

Pursuant to the public record of notices filed by Jiuhao Health Shareholders in respect of their interests in Jiuhao Health pursuant to the SFO Part XV – Disclosure of Interests as at the Latest Practicable Date, other than Mr. Yuen, Smart Concept Enterprise Limited (a company wholly-owned by Mr. Yuen), China Life Insurance (Group) Company, China Life Insurance (Overseas) Co. Ltd (a wholly-owned subsidiary of China Life Insurance (Group) Company) and China Life Trustee Limited (an indirect wholly-owned subsidiary of China Life Insurance (Group) Company), no Jiuhao Health Shareholders were interested in more than 5% of the Jiuhao Health Shares as at the Latest Practicable Date and All Other Jiuhao Health Shareholders will be interested in up to 39.35% of the Shares as enlarged by the allotment and issue of the Eternity consideration Shares assuming there will be no change to All Other Jiuhao Health Shareholders' interest in Jiuhao Health from the Latest Practicable Date to the record date for the Proposed Distribution.

To the best of the knowledge of the Directors, none of the connected persons of Eternity are the Jiuhao Health Shareholders. Further, based on the shareholding disclosures published on the "Disclosure of Interest" section of the website of the Stock Exchange as at the Latest Practicable Date, even if the Proposed Distribution is made to connected persons of Eternity, the Directors are of the view that there will not be any implications under:

1. the Takeovers Code in respect of the Transactions notwithstanding that the Jiuhao Health Shareholders will collectively be interested in up to approximately 55.97% of Eternity's voting rights as based on public information available on the website of the Stock Exchange and information provided by Jiuhao Health, the Directors are not aware of any evidence indicating that (a) the Jiuhao Health Shareholders are acting in concert to consolidate control in Eternity; and (b) Mr. Yuen and parties acting in concert with him will acquire voting rights of 30% or more in Eternity in connection with the Transactions and the Proposed Distribution;

2. the connected transaction requirements under the Listing Rules in respect of the Transactions for the reasons stated above; and

3. the requirement to have sufficient public float in the Shares following the allotment and issue of the Eternity Consideration Shares as, based on public information available on the website of the Stock Exchange and information provided by Jiuhao Health as at the as at the Latest Practicable Date, the Directors are not aware of any evidence indicating that any Jiuhao Health Shareholders will become a substantial shareholder of Eternity except Mr. Yuen. The illustrative shareholding of Eternity to be held in public hands shall be about 75.25% assuming no Shares are allotted and issued or repurchased by Eternity from the Latest Practicable Date to the record date for the Proposed Distribution or 75.29% assuming all Eternity Options Shares are allotted and issued but no other Shares are allotted and issued or repurchased by Eternity from the Latest Practicable Date to the record date for the Proposed Distribution.

2.2 The Club Lease Agreement

Pursuant to the terms of the S&P Agreement, BJ Haikou No. 9 Co and BJ Bayhood No. 9 Co shall execute the Club Lease Agreement upon Completion to promote seamless transition and successful operation of Beijing Bayhood No. 9 Club.

The principal terms of the Club Lease Agreement are summarised below:

Lessee:	BJ Haikou No. 9 Co, a branch of an indirect wholly-owned subsidiary of Jiuhao Health.
Lessor:	BJ Bayhood No. 9 Co, an indirect wholly-owned subsidiary of the Target Company (which will become wholly-owned by Eternity upon Completion).
Subject matters:	pursuant to the Club Lease Agreement, BJ Haikou No. 9 Co, as lessee, shall lease the assets on the Club Land in respect of Beijing Bayhood No. 9 Club from BJ Bayhood No. 9 Co, as lessor.

Term:	an initial term of 20 years, which may be further extended up to 31 December 2051 if BJ Haikou No. 9 Co requests so within a six-month period before the expiry of the initial 20 year-term. There are four rental periods of five years each during the initial term of 20 years (and three additional rental periods of five years each if the lease is extended to 31 December 2051 upon request by BJ Haikou No. 9 Co). If BJ Haikou No. 9 Co would like to terminate the Club Lease Agreement, BJ Haikou No. 9 Co must give notice to BJ Bayhood No. 9 Co at least six months prior to the expiry of the then five-year rental period. BJ Haikou No. 9 Co cannot terminate the Club Lease Agreement during the first five-year rental period.
Rent:	the aggregate rental for the first five years is RMB90 million (equivalent to approximately HK$114.3 million) which is payable by BJ Haikou No. 9 Co to BJ Bayhood No. 9 Co prior to the commencement of the first five-year rental period. The rental payment shall increase by 30% in each of the subsequent five-year rental period as to RMB117 million (equivalent to approximately HK$148.59 million), RMB152.1 million (equivalent to approximately HK$193.17 million) and RMB197.73 million (equivalent to approximately HK$251.12 million), respectively and shall be payable by BJ Haikou No. 9 Co to BJ Bayhood No. 9 Co in one lump sum prior to the commencement of the relevant rental period. If the actual rental period is less than the full five-year rental period, the rental payment shall be adjusted in proportion to the duration of the actual rental period.

Other material terms:

(a) During the entire rental period, BJ Haikou No. 9 Co must continue to carry on the existing operations and maintain the Performance Benchmark, including:

– Beijing Bayhood No. 9 Club shall continue to operate as a membership-based club, and only allow admission by (i) members and their guests; (ii) tenants of the hotel villas and the high-end hotel apartments erected on the Subject Land; and (iii) other guests allowed at the discretion of the senior management;

– Beijing Bayhood No. 9 Club shall continue to be operated as a high-end luxury healthcare and wellness centre;

– Beijing Bayhood No. 9 Club shall maintain its service standard and reputation in the industry no lower than the existing level;

– all current services and products of Beijing Bayhood No. 9 Club shall still be carried on. New services and products which are to be provided by Beijing Bayhood No. 9 Club shall continue to be relating to healthcare and wellness concepts only; and

– no additional construction of new buildings on the Club Land shall be carried out unless permitted by BJ Bayhood No. 9 Co.

(b) To ensure that BJ Bayhood No. 9 Co understands and is fully aware of the operations of Beijing Bayhood No. 9 Club during the rental period and to monitor compliance with the Performance Benchmark, BJ Bayhood No. 9 Co is entitled to send one representative to participate in the management and operations of Beijing Bayhood No. 9 Club during the rental period. For the avoidance of doubt, BJ Haikou No. 9 Co shall still have the full and absolute right and control over the management and operations of Beijing Bayhood No. 9 Club during the rental period.

(c) BJ Bayhood No. 9 Co and BJ Haikou No. 9 Co agree that BJ Haikou No. 9 Co shall take all existing employees of BJ Bayhood No. 9 Co and both parties to the Club Lease Agreement shall use their best endeavour to enable the smooth transition in this regard.

(d) BJ Haikou No. 9 Co shall have the right to assign the rights and obligations under the Club Lease Agreement to third parties after obtaining written consent from BJ Bayhood No. 9 Co.

The executed Club Lease Agreement shall be one of the deliverables at Completion.

Following Completion, BJ Haikou No. 9 Co (a branch of an indirect wholly-owned subsidiary of Jiuhao Health) will continue to run the operation of and be responsible for the decision making of Beijing Bayhood No. 9 Club and it will be entitled to the revenue and bear the costs associated with the operations of Beijing Bayhood No. 9 Club pursuant to which it will (i) continue to be entitled to the income resulting from the operation of Beijing Bayhood No. 9 Club including membership subscription fees, annual membership fees, food and beverage sales, golf club usage (including green fees, the use of golf cart and caddies), golf academy fees and the usage of spa facilities and other recreational facilities; and (ii) bear all costs of the operation of Beijing Bayhood No. 9 Club (except the annual rental payable by BJ Bayhood No. 9 Co to the lessor for the Club Land and depreciation and amortisation expense) during the term of the Club Lease Agreement.

Jiuhao Health and Eternity had indicated to each other that they intend to maintain the lease arrangement on a long-term basis given: (1) Eternity intends to hold Beijing Bayhood No. 9 Club as a long-term investment for rental purposes and has no experience in operating any golf club and wellness facilities; and (2) Jiuhao Health intends to retain Beijing Bayhood No. 9 Club's operations and existing business and continue to develop its offline healthcare and wellness services. As mentioned above, the Club Lease Agreement does not generally provide BJ Bayhood No. 9 Co with any right to terminate the Club Lease Agreement save where BJ Haikou No. 9 Co has defaulted in the performance of its obligations under the Club Lease Agreement. In the event that the Club Lease Agreement is terminated, Eternity may consider engaging another independent operator to manage Beijing Bayhood No. 9 Club by tender as may be appropriate when the circumstances arise.

2.3 The Motor Vehicle Licence Agreement

At Completion, Jiuhao Health Group and BJ Bayhood No. 9 Co shall execute the Motor Vehicle Licence Agreement, pursuant to which Jiuhao Health Group shall have a right to continue to use the motor vehicles and the relevant motor vehicle licenses registered under BJ Bayhood No. 9 Co after Completion for an infinite period at nil consideration.

BJ Bayhood No. 9 Co undertakes to Jiuhao Health that it will fully assist with all necessary procedures to ensure compliance with the laws and that all relevant motor vehicle licenses are valid, including but not limited to carrying out the annual inspection procedures for the motor vehicles. Jiuhao Health will bear all relevant costs incurred by BJ Bayhood No. 9 Co in connection with and arising from such undertakings aforementioned.

The executed Motor Vehicle Licence Agreement shall be one of the deliverables at Completion.

2.4 The Trademark Licence Agreement

At Completion, Jiuhao Health Group and BJ Bayhood No. 9 Co shall execute the Trademark Licence Agreement, pursuant to which Jiuhao Health Group shall have a right to continue to use the "Jiuhao" trademark (which is registered under BJ Bayhood No. 9 Co) at nil consideration for one year after Completion.

The executed Trademark Licence Agreement shall be one of the deliverables at Completion.

3. INFORMATION OF THE TARGET GROUP

The Target Company is a limited liability company established in the BVI and is an investment holding company. As at the Latest Practicable Date, the Target Company is legally and beneficially owned as to 100% by Jiuhao Health through the Vendor.

The Target Group is principally engaged in the provision of recreational and wellness services through the management of Beijing Bayhood No. 9 Club, a membership-based luxury club which comprises of business hotel facilities, an 18-hole golf course, driving range facilities, theme restaurants and cafes, spa facilities, retail shops, and the first PGA branded and managed golf academy in Asia. Beijing Bayhood No. 9 Club is located near the city centre of Beijing, PRC. The major assets owned by the Target Group are as follows:

– the rights to construct and operate the club facilities of Beijing Bayhood No. 9 Club up to 31 December 2051; and

– the rights to develop and operate the Subject Land, which is a piece of 580 Chinese acre land adjacent to Beijing Bayhood No. 9 Club up to 30 January 2062.

The Target Group does not own the land use rights of the Club Land and the Subject Land. BJ Bayhood No. 9 Co enjoys the contractual rights of development of and operation on the Club Land and the Subject Land during the respective periods as provided in the Joint Construction and Operational Agreement (as defined below) and the Transfer Agreement (as defined below) and is therefore entitled to construct and develop the Club Land and the Subject Land as well as manage and operate the properties erected on the Club Land and the Subject Land through the contractual arrangements.

According to the advice from Eternity's PRC legal adviser, upon Completion, it is not expected that the Group will encounter any legal impediments in relation to the use of and construction of properties erected on the Club Land and the Subject Land by means of the contractual arrangements mentioned above and the acquisition of the Target Group pursuant to the S&P Agreement.

As disclosed in the Joint Announcement, the following is the financial information of the Target Group extracted from its unaudited combined accounts for the two years ended 31 December 2014 and the nine months ended 30 September 2014 which was prepared by Jiuhao Health, in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2013 *HK$'000*	**For the year ended 31 December 2014** *HK$'000*	**For the nine months ended 30 September 2014** *HK$'000*
Sales	125,465	104,491	78,613
Gross profit	31,585	28,003	22,253
Loss before taxation	(82,731)	(17,628)	(7,863)
Loss for the year/period	(74,289)	(15,047)	(7,207)

	As at 31 December 2013 *HK$'000*	**As at 31 December 2014** *HK$'000*	**As at 30 September 2014** *HK$'000*
Non-current assets	2,035,456	2,106,911	2,078,475
– which includes intangible assets in the amount of	1,631,272	1,589,601	1,591,369
Current assets	193,977	140,826	307,316
Current liabilities	285,262	224,568	429,121
Non-current liabilities	760,248	435,493	483,478
Net assets	1,183,923	1,587,676	1,473,192

As disclosed in the Joint Announcement, the unaudited combined net asset value of the Target Group as at 30 September 2014 extracted from its unaudited combined management accounts (which has included Jiuhao Health's purchase price allocation adjustments in relation to the Target Group, such as intangible assets) was approximately HK$1,473 million.

Also according to Jiuhao Health, the purchase price allocation adjustments refer to the purchase price allocation made by Jiuhao Health when Jiuhao Health acquired certain companies within the Target Group in 2011 and 2012.

In addition, according to Jiuhao Health, the purchase price allocation adjustments in relation to the Target Group included in the unaudited combined net asset value as at 30 September 2014 amounted to a total of approximately HK$1,329 million. They are mainly in relation to the adjustments of intangible assets, goodwill, fixed assets and deferred tax liabilities, amounting to approximately HK$1,272 million, HK$319 million, HK$35 million and HK$335 million respectively, from their respective book values to fair values at the time of business combinations by Jiuhao Health Group and the subsequent additional depreciation or amortisation up to 30 September 2014. Excluding such purchase price allocation adjustments, the unaudited net asset value of the Target Group was approximately HK$144 million as at 30 September 2014.

According to Jiuhao Health, the Target Group was acquired but not established by, the Vendor. In order to reflect the fair value of the assets and liabilities (including intangible assets, goodwill and deferred tax liabilities) of the Target Group at the dates of acquisition by the Vendor, it is necessary to account for the purchase price allocation when preparing the combined financial information. In fact, the combined financial information including purchase price allocation adjustments are the figures reflected in the consolidated financial statements of the Jiuhao Health Group, and were prepared in accordance with Hong Kong Financial Reporting Standards.

The abovementioned unaudited combined net asset value of the Target Group of approximately HK$1,473 million as at 30 September 2014 included the liability portion of convertible notes of approximately HK$64 million issued by Jiuhao Health. Excluding the liability portion of convertible notes (which will not be assigned to Eternity upon Completion) of approximately HK$64 million and the expected balance of Shareholder's Loan classified as current liability of approximately HK$44 million at Completion, the unaudited adjusted combined net asset value of the Target Group would be approximately HK$1,581 million as at 30 September 2014 (being the Adjusted Combined NAV as at 30 September 2014).

According to Jiuhao Health and as stated in the Joint Announcement, the abovementioned unaudited combined financial information of the Target Group has not been reviewed by Jiuhao Health's reporting accountant for the purpose of the Transactions.

For the purpose of the Transactions, the Group has engaged HLB Hodgson Impey Cheng Limited, the reporting accountants of Eternity, to audit the Target Group. Details of the audited consolidated financial results of the Target Group for the three years ended 31 December 2014 and for the four months ended 30 April 2015 are set out in Appendix II to this circular. Such consolidated financial results are audited by HLB Hodgson Impey Limited, reporting accountants of Eternity, in accordance with Hong Kong Financial Reporting Standards. Management discussions and analysis of the financial results of the Target Group is also set out in Appendix III to this circular. As advised by the Company's auditors, the accounting policies adopted by the Target Group as set out on pages 136 to 152 in Appendix II to this circular are consistent with the accounting policies adopted by the Company in the preparation of the Group's consolidated financial statements.

The expected business relationship between Beijing Bayhood No. 9 Club and the Subject Land upon Completion

Beijing Bayhood No. 9 Club has been in operation since 2006; whilst the Subject Land which is adjacent to Beijing Bayhood No. 9 Club, is still in the course of development and the construction of the Phase I Hotel Villas is substantially completed.

After the Proposed Development Project is completed, as the Subject Land is adjacent to Beijing Bayhood No. 9 Club, the Directors believe that Beijing Bayhood No. 9 Club shall provide the following benefits to the hotel villas and high-end hotel apartments to be erected on the Subject Land and vice versa:

1. The hotel villas and high-end hotel apartments shall enjoy an unobstructed view of the green landscape of Beijing Bayhood No. 9 Club. The Directors believe that the supply of hotel villas and high-end hotel apartments erected next to golf courses is limited on the market and it is rare within Beijing. It is believed that this enhances the prestigious market position of the hotel villas and high-end hotel apartments erected on the Subject Land.

2. Eternity has reached a term under the Club Lease Agreement with the Vendor in allowing admission by the tenants of the hotel villas and the high-end hotel apartments erected on the Subject Land to Beijing Bayhood No. 9 Club. The Directors believe that such arrangement will have a positive impact on the occupancy rate and help foster a prestigious market position of the hotel villas and high-end hotel apartments, as well as differentiating them from other high-end hotel villas and hotel apartments in Beijing.

3. A majority of the existing members of Beijing Bayhood No. 9 Club are high net worth businessmen. These members often host sport events and informal business gatherings to foster their relationships with customers and/or business partners. It is believed that members of Beijing Bayhood No. 9 Club will be one of the sources of short-term leasing of the hotel villas and high-end hotel apartments.

Whilst the operations and management of Beijing Bayhood No. 9 Club and the Proposed Development Project are separate and not reliant on each other, the Directors believe that Beijing Bayhood No. 9 Club and the Proposed Development Project are complementary to each other, as they can cross sell each other's services and products to their respective customers, and the presence of Beijing Bayhood No. 9 Club next to the Subject Land will enhance the prestigious market position of the hotel villas and high-end hotel apartments to be erected on the Subject Land.

The relevant contractual arrangements which confer the rights to develop and operate the Club Land and the rights to manage and operate the properties erected on the Club Land up to 31 December 2051

Eternity's PRC legal adviser is of the view that, the Club Land is collectively-owned by 北京市朝陽區來廣營鄉北湖渠村 (Beihuqu Village of Laiguangying Town, Chaoyang District, Beijing*, "**Beihuqu Village**"). According to the Land Administration Law of the PRC and the Organic Law of the Villagers' Committees of the PRC, the administrative right of the Club Land is conferred on 北京市朝陽區來廣營鄉北湖渠村經濟合作社 (the Economic Cooperative of Beihuqu Village of Laiguangying Town, Chaoyang District, Beijing*, "**Beihuqu Village Economic Cooperative**").

Beihuqu Village Economic Cooperative entered into two agreements (collectively, the "**Golf Club Agreements**") with 北京馨葉高爾夫俱樂部有限公司 (Beijing Xinye Golf Club Company Limited*), now known as 北湖國際高爾夫俱樂部有限公司 (Bayhood Golf Club Company Limited*, the "**Golf Club Co**"), in 2000 and 2002, respectively, authorising the Golf Club Co to enjoy the contractual rights of development of and operation on the Club Land.

On 20 December 2005, BJ Bayhood No. 9 Co and the Golf Club Co entered into a joint construction and operation agreement (the "**Joint Construction and Operation Agreement**"), pursuant to which BJ Bayhood No. 9 Co shall fund and be responsible for the actual development of and operation on the Club Land. As a party to the Golf Club Agreements, Beihuqu Village Economic Cooperative issued a consent letter on 15 December 2005, consenting to the entering into of the Joint Construction and Operation Agreement between BJ Bayhood No. 9 Co and the Golf Club Co.

Based on the above, Eternity's PRC legal adviser is of the opinion that, BJ Bayhood No. 9 Co enjoys the sole contractual rights of development of and operation on the Club Land during the stipulated period as provided in the Joint Construction and Operation Agreement and is therefore entitled to construct and develop the Club Land as well as manage and operate the properties erected on the Club Land during the same period.

* *For the purpose of identification only*

The relevant contractual arrangements which confer the rights to develop and operate the Subject Land and the rights to manage and operate the properties erected on the Subject Land up to 30 January 2062

Eternity's PRC legal adviser is of the view that, the Subject Land is collectively-owned by Beihuqu Village. According to the Land Administration Law of the PRC and the Organic Law of the Villagers' Committees of the PRC, the administrative right of the Subject Land is conferred on 北京市朝陽區來廣營鄉北湖渠村村民委員會 (the Villagers' Committee of Beihuqu Village of Laiguangying Town, Chaoyang District, Beijing*, "**Beihuqu Village Villagers' Committee**").

According to Eternity's PRC legal adviser, BJ Bayhood No. 9 Co enjoys the contractual rights of development of and operation on the Subject Land and the management rights of the properties erected on the Subject Land through the following contractual arrangements:

1. According to the confirming letter regarding the ownership of the land used by Chaolai Football Centre under Beijing Chaoyang District Laiguangying People's Government (北京市朝陽區來廣營鄉人民政府朝來足球活動中心用地情況說明) issued by the Chaoyang Branch of the Beijing Municipal Bureau of Land and Resources on 14 December 2010, the ownership of the Subject Land belongs to Beihuqu Village. According to the authorisation letter issued by the Beihuqu Village Villagers' Committee dated 8 May 2008, the Beihuqu Village Villagers' Committee has authorised 北京朝來足球中心 ("**Beijing Chaolai Football Centre**") the rights of development of and operation on the Subject Land, including but not limited to leasing, cooperation or other operational purposes.

2. Subsequently, Beijing Chaolai Football Centre has granted 北京北湖商務諮詢有限公司 (Beijing Beihu Business Consultants Company Limited*, "**Beihu Consultants**") the rights of development of and operation on the Subject Land and the right to manage and operate the properties erected on the Subject Land until 31 May 2048 by entering into a cooperation agreement with Beihu Consultants on 30 January 2012 (the "**Beihu Cooperation Agreement**").

3. Pursuant to the transfer agreement signed between Beihu Consultants and BJ Bayhood No. 9 Co on 1 January 2013 (the "**Transfer Agreement**"), Beihu Consultants transferred all its rights and obligations under the Beihu Cooperation Agreement to BJ Bayhood No. 9 Co. On the same date, as the other party to the Beihu Cooperation Agreement, Beijing Chaolai Football Centre issued a consent letter acknowledging and consenting to the Transfer Agreement. On 22 July 2014, BJ Bayhood No. 9 Co and Beijing Chaolai Football Centre signed a variation agreement extending the cooperation period in relation to the Subject Land from 31 May 2048 to 30 January 2062. As such, BJ Bayhood No. 9 Co has the rights of development of and operation on the Subject Land and to manage and operate the properties erected on the Subject Land up to 30 January 2062.

* *For the purpose of identification only*

Based on the above, Eternity's PRC legal adviser is of the opinion that, BJ Bayhood No. 9 Co enjoys the sole contractual rights of development of and operation on the Subject Land during the stipulated period as provided in the Transfer Agreement and the variation agreement mentioned above, and is therefore entitled to construct on and develop the Subject Land as well as manage and operate the properties erected on the Subject Land during the same period.

Ownership of the Club Land and the Subject Land, the rights of Beihuqu Village's Economic Cooperative and the rights of Beihuqu Village Villagers' Committee

Eternity's PRC legal adviser is of the opinion that, currently, the authority in charge of land administration in the PRC is the Ministry of Land and Resources under the State Council, as well as local branches of the Ministry of Land and Resources across the PRC. Pursuant to the Land Administration Law of the PRC, "The PRC resorts to a socialist public ownership of land (i.e. an ownership by the whole people and ownership by collectives). In ownership by the whole people, the State Council is empowered to administer on behalf of the State the land owned by the State". As such, land in the PRC can be categorised as either land owned by the State (ownership by the whole people) or land owned by collectives. As mentioned above, according to Eternity's PRC legal adviser, the Club Land and the Subject Land are collectively-owned by Beihuqu Village.

According to the Land Administration Law of the PRC and the Property Law of the PRC, the Club Land and the Subject Land are collectively-owned by Beihuqu Village and are administered by two collective organisations (Beihuqu Village Economic Cooperative in relation to the Club Land and Beihuqu Village Villagers' Committee in relation to the Subject Land). According to the Organic Law of the Villagers' Committees of the PRC, the two collective organisations mentioned above have the right to manage the Club Land and the Subject Land and to authorise third parties to administer and use the collectively-owned land. Based on the above, Eternity's PRC legal adviser is of the opinion that BJ Bayhood No. 9 Co does not have and it is impossible for BJ Bayhood No. 9 Co to obtain the ownership right of the Club Land and the Subject Land under the current PRC legal regime. Currently, BJ Bayhood No. 9 Co enjoys the contractual rights of development of and operation on the Club Land and Subject Land through obtaining the relevant collectives' direct or indirect consent and authorisation through a series of contractual arrangements. According to Eternity's PRC legal adviser, these contractual arrangements do not violate the Contract Law of the PRC and are in compliance with the relevant PRC laws and regulations.

According to Eternity's PRC legal adviser, pursuant to the Land Administration Law of the PRC and the Organic Law of the Villagers' Committees of the PRC, the village's economic cooperative and/or the villagers' committee have/has the right to "administer the affairs concerning the land and other property owned collectively by the peasants of the village". Given that the Club Land and the Subject Land are collectively-owned by Beihuqu Village, each of Beihuqu Village Economic Cooperative and Beihuqu Village Villagers' Committee has the right to administer the Club Land and the Subject Land and, in accordance with the relevant laws, authorise a third party to develop and operate the Club Land and the Subject Land.

No requirement for Eternity to obtain consent from Beijing Chaolai Football Centre in relation to the Transactions

According to Eternity's PRC legal adviser, it is not necessary for Eternity to obtain consent from Beijing Chaolai Football Centre in relation to the Transactions as the nature of the Transactions and the transfer of rights and obligations in respect of the Subject Land from Beihu Consultants to BJ Bayhood No. 9 Co are different.

The transfer of rights and obligations in respect of the Subject Land from Beihu Consultants to BJ Bayhood No. 9 Co involved the transfer of contractual rights and obligations, and pursuant to the Contract Law of the PRC, it requires consent from the other parties to the contract. In contrast, the Transactions involve only a change of the ultimate owner of BJ Bayhood No. 9 Co and BJ Bayhood No. 9 Co will not be transferring its contractual rights and obligations in respect of the Subject Land as authorised by Beijing Chaolai Football Centre to other third parties.

It is not a requirement under the Contract Law of the PRC and Company Law of the PRC to obtain the consent of other parties to a contract where a party to the contract changes its ultimate owner.

The current status of the Phase I Hotel Villas

As mentioned above, the construction of the Phase I Hotel Villas is substantially completed.

According to Eternity's PRC legal adviser, the opinions and permits as described in this paragraph were issued in respect of the development on the entire Subject Land, thus including the three phases of development. Hence, the Phase I Hotel Villas has already obtained (i) the preliminary assessment opinion on use of land issued by the Chaoyang branch of the Beijing Municipal Bureau of Land and Resources on 26 April 2011; (ii) the permission opinion issued by the Beijing Municipal Commission of Development & Reform on 1 July 2011; (iii) the assessment opinion issued by the Beijing Municipal Commission of Urban Planning on 26 January 2011; and (iv) the assessment opinion issued by the Beijing Municipal Commission of Urban Planning on 16 December 2011. The Phase I Hotel Villas has also received (i) the rural construction planning permit (鄉村建設規劃許可證) issued by the Beijing Municipal Commission of Urban Planning; and (ii) the building construction permit (建築工程施工許可證) issued by the Ministry of Housing and Urban-Rural Development. The above opinions and permits are the material opinions and permits required for the construction of the Phase I Hotel Villas.

Other than the above, the assessment opinions from the relevant environmental departments, fire safety departments and civil defense departments are required prior to the completion of the construction and/or the operation of the Phase I Hotel Villas. According to the preliminary advice of Eternity's PRC legal adviser, they do not expect the Group to have any difficulties or delay in obtaining the aforesaid assessment opinions prior to the completion of the construction and/or the operation of the Phase I Hotel Villas.

The latest status of the Phase II Hotel Villas and the Phase III Hotel Apartments

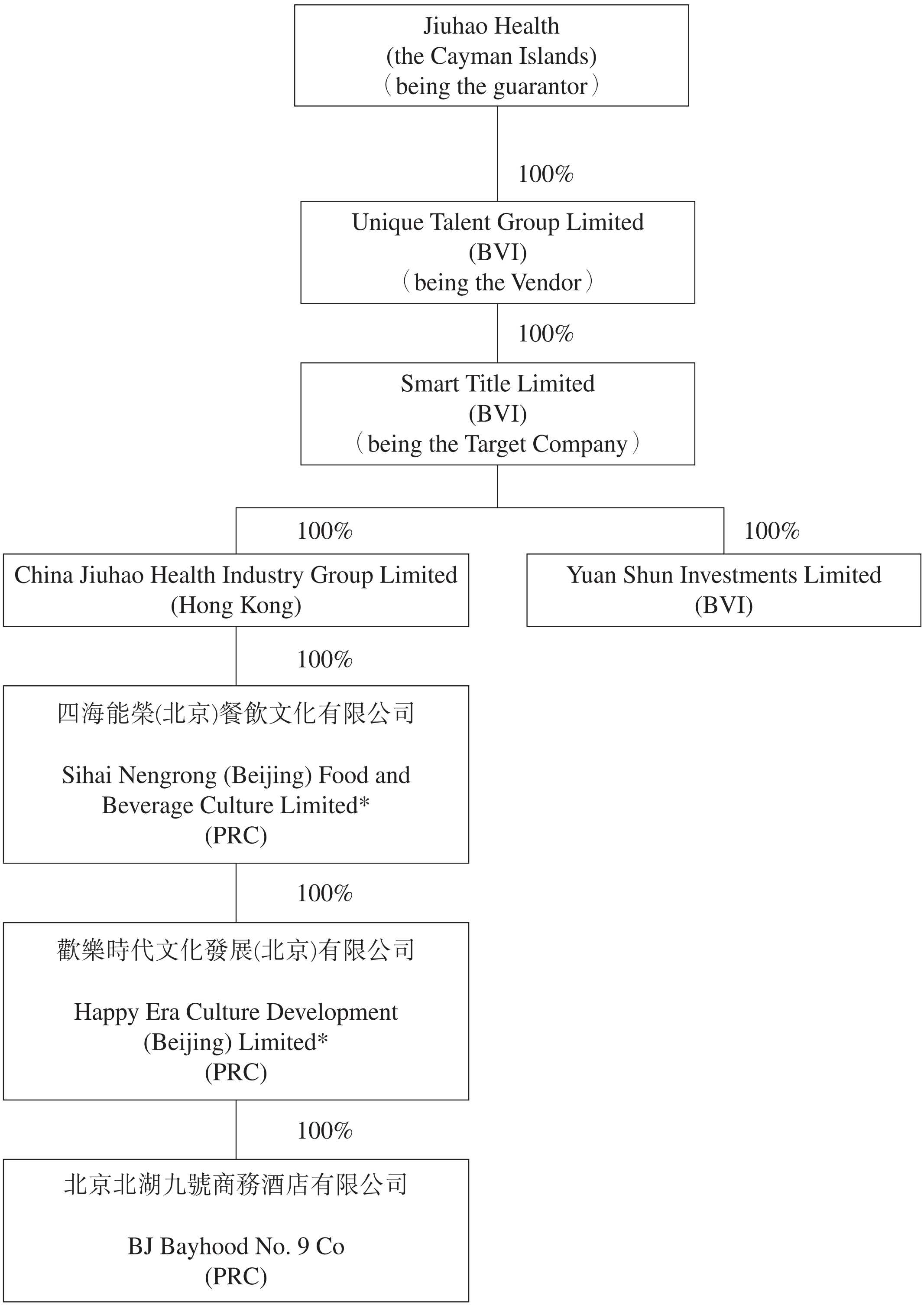
As mentioned above, the Phase II Hotel Villas is expected to be commenced in the third quarter of 2015 and completed in the second quarter of 2016. The Phase III Hotel Apartments is expected to be commenced in the third quarter of 2016 and completed in the second quarter of 2017.

According to Eternity's PRC legal adviser, the opinions and permits as described in this paragraph were issued in respect of the development on the entire Subject Land, thus including the Phase I Hotel Villas, the Phase II Hotel Villas, and the Phase III Hotel Apartments. Hence, the Phase II Hotel Villas and the Phase III Hotel Apartments have already obtained (i) the preliminary assessment opinion on use of land issued by the Chaoyang branch of the Beijing Municipal Bureau of Land and Resources on 26 April 2011; (ii) the permission opinion issued by the Beijing Municipal Commission of Development & Reform on 1 July 2011; (iii) the assessment opinion issued by the Beijing Municipal Commission of Urban Planning on 26 January 2011; and (iv) the assessment opinion issued by the Beijing Municipal Commission of Urban Planning on 16 December 2011. The Phase II Hotel Villas has also received (i) the rural construction planning permit (鄉村建設規劃許可證) issued by the Beijing Municipal Commission of Urban Planning; and (ii) the building construction permit (建築工程施工許可證) issued by the Ministry of Housing and Urban Rural Development. The above opinions and permits are the material opinions and permits required for the construction of the Phase II Hotel Villas and Phase III Hotel Apartments.

Other than the above, the assessment opinions from the relevant environmental departments, fire safety departments and civil defense departments are required prior to the completion of the construction and/or the operation of the Phase II Hotel Villas and Phase III Hotel Apartments. According to the preliminary advice of Eternity's PRC legal adviser, they do not expect the Group to have any difficulties or delay in obtaining the aforesaid assessment opinions prior to the completion of the construction and/or the operation of the Phase II Hotel Villas and/or the Phase III Hotel Apartments.

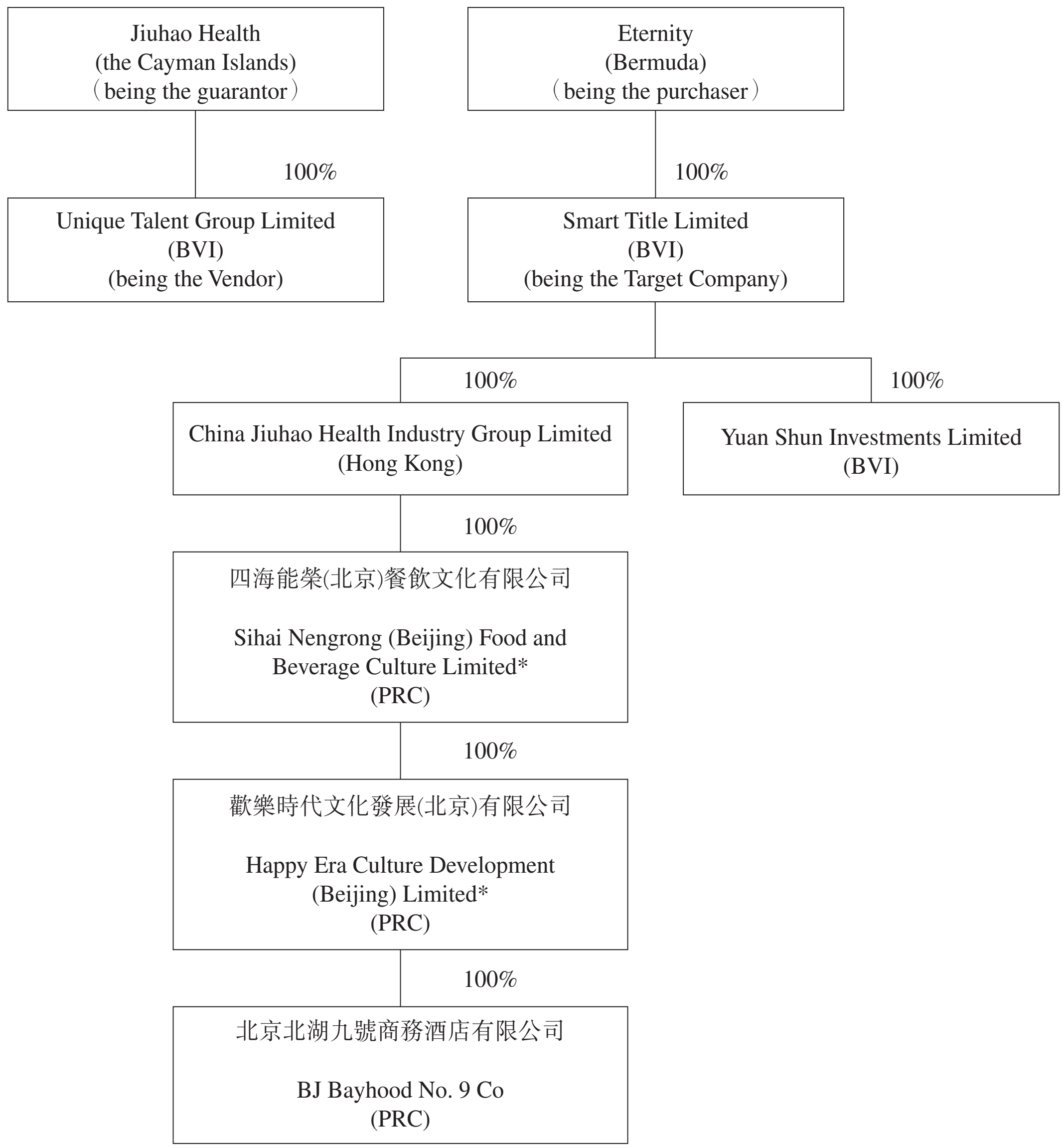
The following diagrams set out the shareholding structure of the Target Group immediately before and immediately upon Completion:

Immediately before Completion



* *For the purpose of identification only*

Immediately upon Completion



* *For the purpose of identification only*

4. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Vendor is an investment holding company.

Jiuhao Health, through its subsidiaries, is principally engaged in (i) the provision of online healthcare service; (ii) the provision of offline healthcare and wellness services; and (iii) media business.

Eternity, through its subsidiaries, is principally engaged in distribution of films, sub-licensing of film rights, sale of financial assets, property investment, money lending, design and sale of jewelry products, and development, distribution and marketing of personal care treatments, products and services. On 15 April 2015, Eternity issued an announcement relating to, among other things, a major transaction on the deemed disposal of shareholding interest in EDS as a result of the issue of new EDS Shares and new convertible preferred shares by EDS to Independent Third Parties. EDS is a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8176) and principally engages in the development, distribution and marketing of personal care treatments, products and services. As at the Latest Practicable Date, the Group held 52,500,000 EDS Shares, representing approximately 70.18% of the existing issued share capital of EDS. Upon completion of the issue of new EDS Shares and new convertible preferred shares by EDS to Independent Third Parties, EDS will cease to be a subsidiary of the Group and the Group will no longer be engaged in the development, distribution and marketing of personal care treatments, products and services.

Upon Completion, Eternity will hold the entire shareholding interest in the Target Company.

Following the disposal of all the Group's investment properties in 2013, the Directors have cautiously identified suitable investment properties and/or property projects for the Group's investment property business.

Save and except for the deemed disposal of shareholding interest in EDS by Eternity as a result of the issue of new EDS Shares and new convertible preferred shares by EDS as mentioned above, Eternity has no intention to dispose of any of its existing business following the Completion. It is noted that securities trading business is one of the Group's principal businesses and Eternity may from time to time change its portfolio mix. Hence, the sale of financial assets (whether in part or in full) shall not be construed as disposal of its existing business.

Eternity also has no current intention to change the composition of board members subsequent to the completion of the Transactions.

It is not the intention of Eternity to give any party the right to control 30% or more of the voting rights of Eternity as a result of the issuance of the Eternity Consideration Shares upon assignment of the Share Entitlement Note under the Proposed Distribution. At the same time, the Directors understand that it is the intention of Jiuhao Health to undertake the Proposed Distribution; and as a result, no Jiuhao Health Shareholder will hold 30% or more of the voting rights of Eternity, based on the existing shareholding records of Jiuhao Health as at the Latest Practicable Date.

In addition, based on the information available up to the Latest Practicable Date, and so far as the Directors are aware, (i) no Jiuhao Health Shareholder is or will hold 30% or more of the Shares before and/or immediately after Completion and the Proposed Distribution; (ii) no Jiuhao Health Shareholders will be appointed as a director or chief executive of Eternity or its subsidiaries following the Completion and the Proposed Distribution; (iii) the S&P Agreement does not provide Jiuhao Health, the Jiuhao Health Shareholders or any connected persons of Jiuhao Health with any right for nomination of a new Director; and (iv) the Directors confirm that they will continue to manage the businesses of Eternity and, save and except for the deemed disposal of shareholding interest in EDS by Eternity as a result of the issue of new EDS Shares and new convertible preferred shares by EDS as mentioned above, there is no intention to dispose of or change the business of the Group.

Taking into account the abovementioned factors, the Directors are of the view that it is not expected to have a change of de facto control of Eternity upon Completion.

The following are the reasons for and benefits of the Transactions:

1. *The acquisition of the Target Group suits the business strategy of the Group*

   According to the Directors, business strategy of the Group with regards to its property investment business is to make profit through the buying and selling of properties and investing in properties to earn regular rental income. Business strategy of the Group had been consistent over the years as proven by various precedent transactions completed during 2006 to 2013. All those information are disclosed in Eternity's announcement(s) and/or circular(s) and available on the website of Eternity *www.eternityinv.com.hk*.

The Group has no intention to engage in property development business. The acquisition of the Proposed Development Project is for earning regular rental income from the leasing of hotel villas and high-end hotel apartments, of which construction is to be completed by the Group and the acquisition is consistent with Eternity's existing business strategy and similar to the renovation of the Beijing Property (as defined below) as described below. Furthermore, as the construction costs to be incurred had all been budgeted and laid out to the management of Eternity, the management of Eternity, with assessment on its financial capability, considers the acquisition of the Target Group an excellent investment opportunity.

The Target Group has two major assets, which are (i) the rights to manage and operate Beijing Bayhood No. 9 Club up to 31 December 2051; and (ii) the rights to develop and operate the Subject Land and the rights to manage the properties erected on the Subject Land up to 30 January 2062. The Subject Land is adjacent to Beijing Bayhood No. 9 Club. Both Beijing Bayhood No. 9 Club and the Subject Land are well located in Chaoyang District (between the Fourth and Fifth Ring Roads), close to the airport and a 30-minute drive to Beijing central business district.

– Beijing Bayhood No. 9 Club

  It is an exclusive premier membership-based golf club and resort, which comprises of a 7,260-yard Nelson and Haworth designed 18-hole championship golf course, the first PGA branded and managed Golf Academy in Asia, driving range facilities, theme restaurants and cafes, a luxurious spa and fitness centre and retail shops. Beijing Bayhood No. 9 Club was awarded the top award for China's Best New Golf Club 2006/07 by Golf Digest China, one of the Asia's Top Five Best New Golf Club 2007 by Asia Golf Monthly, one of the Top 10 of China's Best Golf Clubs 2008/09 by Golf Digest and one of the Top 10 Most Luxurious Clubs in Beijing 2010/11.

  Eternity intends to hold Beijing Bayhood No. 9 Club as a long-term investment for rental purposes.

– The Subject Land

It is 580 Chinese acres (equivalent to approximately 387,000 square meters) of land adjacent to Beijing Bayhood No. 9 Club. The Subject Land is intended to be developed into (i) a low-density deluxe hotel villas community, that is popular among diplomats, expatriates and executives from multinational companies with total gross floor area of approximately 55,000 square metres, and (ii) a high-end hotel apartment complex with total gross floor area of approximately 25,000 square metres.

The development of the Subject Land is divided into three phases. The construction of the Phase I Hotel Villas has been commenced in August 2013 and construction is substantially completed. The Phase II Hotel Villas is expected to be commenced in the third quarter of 2015 and completed in the second quarter of 2016. The Phase III Hotel Apartments is expected to be commenced in the third quarter of 2016 and completed in the second quarter of 2017.

To differentiate the hotel villas and the high-end hotel apartments erected on the Subject Land from other high-end villas and hotel apartments, Eternity has reached a term under the Club Lease Agreement with the Vendor in allowing admission by the tenants of the hotel villas and the high-end hotel apartments erected on the Subject Land to Beijing Bayhood No. 9 Club, which may have a positive impact on the occupancy.

The Group intends to hold the hotel villas and the high-end hotel apartments erected on the Subject Land as investment properties for rental purposes.

2. *Beijing is expected to see a stable growth in demand for renting luxury villas and hotel apartments*

Beijing is the political and economic centre for the PRC with a resident population of 21,150,000 as of 2013. Beijing is the headquarters of major multinational corporations, PRC state-owned enterprises, various international associations and government organisations in the PRC. It is also a hub for transportation, culture, education and the military. As the national capital, Beijing attracts foreign and domestic companies selling to the central government, as well as multinational corporations needing government approval to carrying out businesses in the PRC. Given that the PRC remains one of the leaders for global economic growth and is well on its way to becoming a formidable global power, the Directors believe that Beijing is expected to see a stable increase of expatriates from multinational corporations and foreign government institutions, which leads to a continual increase in demand for renting luxury villas and hotel apartments. Adjacent to Beijing Bayhood No. 9 Club and the unique location of the Subject Land, the hotel villas and high-end hotel apartments erected on the Subject Land enjoy great view and easy access to downtown areas of Beijing. The Directors expect the hotel villas and the high-end hotel apartments erected on the Subject Land will be one of the highly sought for those types of tenants.

3. *The Transactions provide a unique and favourable investment opportunity to the Group*

The Directors noted Beijing Bayhood No. 9 Club and the Subject Land are located in close proximity to the central business district of Beijing. In view of the scarcity of the supply of real estate complex with golf courses, luxury villas and high-end hotel apartments, especially those well located within the Fourth and Fifth Ring Road of Beijing, the Directors believe that there will continue to be demand for such facility, and thus the Transactions provide a unique and favourable investment opportunity to the Group.

As mentioned in the paragraph headed "The expected business relationship between Beijing Bayhood No. 9 Club and the Subject Land upon Completion" of the section headed "3. INFORMATION OF THE TARGET GROUP" above, the management of Eternity considers Beijing Bayhood No. 9 Club and the properties to be erected on the Subject Land are complementary to each other, as they can cross sell the services to their respective customers and create synergistic results. As far as the Directors are aware, Jiuhao Health is of the same view. In view of the aforesaid, the Group agreed to acquire and the Jiuhao Health Group agreed to dispose of both Beijing Bayhood No. 9 Club and the Proposed Development Project under the S&P Agreement.

4. *The Directors have experience in managing large scale property renovation projects and property development projects*

The Group had acquired a block of building with 179 residential units and 177 car parks in Beijing, the PRC (the "**Beijing Property**") in June 2006 and commenced a large scale property renovation project to transform the Beijing Property into high-end serviced apartments. The transformation was completed in 2008 where the soft opening of the Beijing Property took place in June 2008. During that property renovation period of the Beijing Property, Mr. Lei Hong Wai was the general manager of the Group and Mr. Chan Kin Wah, Billy was the chief financial officer of the Group. Both Mr. Lei Hong Wai and Mr. Chan Kin Wah, Billy are executive Directors and were heavily involved in the aforesaid project. Accordingly, they have gained the practical and necessary experience in managing large scale property project in the PRC in the past.

Apart from Mr. Lei Hong Wai and Mr. Chan Kin Wah, Billy (whose experience are described above), Mr. Cheung Kwok Fan, who was re-designated an executive Director on 18 September 2014, has over 23 years of 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, a Registered Architect in Hong Kong and an Authorised Person in the list of Architects. Prior to joining the Group, Mr. Cheung Kwok Fan was a practising architect in Hong Kong and has been involved in various property development projects in Hong Kong and the PRC. In addition, Mr. Wan Shing Chi, an independent non-executive Director, has over 21 years of experience in the field of construction engineering.

Upon Completion, three of the executive Directors, comprising of Mr. Lei Hong Wai, Mr. Cheung Kwok Fan and Mr. Chan Kin Wah, Billy, will be responsible for managing the operation of the Target Group; in particular, Mr. Lei Hong Wai will be responsible for the overall management, Mr. Cheung Kwok Fan will be responsible for the property maintenance and management aspects and Mr. Chan Kin Wah, Billy will be responsible for the accounting and financial aspects.

The Directors consider that the Transactions represent a good opportunity for the Group to expand its property investment business into the PRC. In addition, given that Beijing Bayhood No. 9 Club and the hotel villas and the high-end hotel apartments erected on the Subject Land generate on-going rental income to the Group, the Directors consider that the Transactions not only diversify the Group's the revenue source, and also provide a stable revenue stream to the Group.

Save and except for the deemed disposal of shareholding interest in EDS by Eternity as a result of the issue of new EDS Shares and new convertible preferred shares by EDS as mentioned above, the Directors are of the view that there will not be any fundamental change to the business of the Group after the Transactions as property investment has been one of the Group's principal businesses and the Group has a track record of acquisition, disposal and leasing of properties and the Transactions are akin to an acquisition of property.

Taking into account the above reasons and factors, the Directors (including the independent non-executive Directors) are of the view that the terms of the Transactions and the S&P Agreement, which have been agreed after arm's length negotiations and are on normal commercial terms, are fair and reasonable and in the interests of Eternity and the Shareholders as a whole.

In order to ensure an uninterrupted business and operation of the Target Group upon Completion, in particular, with regard to managing and operating Beijing Bayhood No. 9 Club and to maintain club members' confidence and loyalty to Beijing Bayhood No. 9 Club, the Directors (including the independent non-executive Directors) believe that it is utmost important to maintain stability and continuity to the management of Beijing Bayhood No. 9 Club.

Given the expertise and resources of Jiuhao Health Group, Eternity and the Vendor also agreed that, after Completion, Beijing Bayhood No. 9 Club will be leased to Jiuhao Health Group for an initial term of 20 years, which is subject to further extension to 31 December 2051 if Jiuhao Health Group requests so (as described in the paragraph headed "2.2 The Club Lease Agreement" above) pursuant to the Club Lease Agreement. In view of the abovementioned circumstances, the Directors (including the independent non-executive Directors) believe that it is fair and reasonable for Beijing Bayhood No. 9 Co and Jiuhao Health Group to enter into the Club Lease Agreement and in the interests of Eternity and the Shareholders upon Completion.

5. ILLUSTRATIVE SHAREHOLDING INFORMATION OF ETERNITY RELATING TO THE ALLOTMENT AND ISSUANCE OF THE ETERNITY CONSIDERATION SHARES

The Eternity Rights Issue was completed on 24 August 2015.

As at the Latest Practicable Date, the Group did not hold any Jiuhao Health Shares.

Set out below is the shareholding structure of Eternity as at the Latest Practicable Date and upon completion of the Transactions and the Proposed Distribution.

(a) Assuming no Shares were allotted and issued or repurchased by Eternity from the Latest Practicable Date to the record date for the Proposed Distribution:

Shareholders	**As at the Latest Practicable Date**		**Upon completion of the Transactions and the Proposed Distribution** Note 3	
	No. of Shares	*Approximate%*	*No. of Shares*	*Approximate%*
Twin Success	211,416,000	17.92	211,416,000	7.89
Mr. Lei Hong Wai Note 1	–	–	–	–
Mr. Chan Kin Wah, Billy Note 2	6,319,500	0.54	6,319,500	0.24
Existing public Shareholders	962,270,986	81.54	962,270,986	35.90
Mr. Yuen and his associates Note 4	–	–	445,530,492	16.62
All Other Jiuhao Health Shareholders	–	–	1,054,469,508	39.35
Total	1,180,006,486	100.00	2,680,006,486	100.00

(b) Assuming all Eternity Options Shares were allotted and issued but no other Shares were allotted, issued or repurchased by Eternity from the Latest Practicable Date to the record date for the Proposed Distribution:

Shareholders	As at the Latest Practicable Date		All outstanding Eternity Options being exercised on or before the record date for the Proposed Distribution		Upon completion of the Transactions and the Proposed Distribution Note 3	
	No. of Shares	*Approximate%*	*No. of Shares*	*Approximate%*	*No. of Shares*	*Approximate%*
Twin Success	211,416,000	17.92	211,416,000	17.86	211,416,000	7.88
Mr. Lei Hong Wai Notes 1	–	–	1,001	–	1,001	–
Mr. Chan Kin Wah, Billy Note 2	6,319,500	0.54	6,320,501	0.53	6,320,501	0.23
Existing public Shareholders	962,270,986	81.54	966,399,188	81.61	966,399,188	36.00
Mr. Yuen and his associates Note 4	–	–	–	–	445,530,492	16.60
All Other Jiuhao Health Shareholders	–	–	–	–	1,054,469,508	39.29
Total	1,180,006,486	100.00	1,184,136,690	100.00	2,684,136,690	100.00

Notes:

(1) Mr. Lei Hong Wai is an executive Director and he held 50% beneficial interest in Twin Success and 1,001 Eternity Options as at the Latest Practicable Date.

(2) Mr. Chan Kin Wah, Billy is an executive Director and he held 6,319,500 Shares and 1,001 Eternity Options as at the Latest Practicable Date.

(3) As mentioned above, the Group did not hold any Jiuhao Health Shares as at the Latest Practicable Date.

(4) Based on the register of interests in shares and short positions required to be kept by Jiuhao Health under Part XV of the SFO, Mr. Yuen is the single largest shareholder of Jiuhao Health and through the companies owned by him, interested in approximately 31.10% of Jiuhao Health's issued ordinary shares, which comprises approximately 29.70% interest in issued ordinary shares and 1.40% interest in underlying shares of Jiuhao Health (such shares to be issued upon exercise of the conversion right attaching to the zero coupon convertible notes due 21 October 2015 with an outstanding principal amount of HK$18.60 million). As at the Latest Practicable Date, save for Mr. Yuen and Smart Concept Enterprise Limited (a company wholly-owned by Mr. Yuen), no Jiuhao Health Shareholders held 10% or more of the issued share capital of Jiuhao Health. Accordingly, All Other Jiuhao Health Shareholders were considered to be part of the public Shareholders immediately after the Proposed Distribution.

6. FINANCIAL EFFECTS OF THE TRANSACTIONS

Upon Completion, members of the Target Group will become indirect wholly-owned subsidiaries of the Company and their results will be consolidated into the Group's consolidated financial statements. The unaudited pro forma financial information of the Enlarged Group illustrating the financial impact of the Transactions on the results, assets and liabilities of the Group is set out in Appendix IV to this circular.

(i) Total assets, total liabilities and consolidated net assets attributable to owners of the Company

Based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix IV to this circular and assuming completion of the Transactions and the Eternity Rights Issue had taken place on 31 December 2014, (a) the total assets would have been increased by approximately 86.74% from approximately HK$2,243.31 million to approximately HK$4,189.08 million, which includes the intangible assets of approximately HK$1,192.76 million and a goodwill of approximately HK$262.05 million (net of impairment) arising from the Transactions; (b) the total liabilities would have been increased by approximately 8.71 times from approximately HK$86.87 million to approximately HK$843.52 million; (c) the consolidated net assets attributable to owners of the Company would have been increased by approximately 55.45% from approximately HK$2,144.65 million to approximately HK$3,333.77 million.

It should be noted that, if the Transactions and the Eternity Rights Issue had been taken place on 31 December 2014, the fair value of the Consideration and the identified assets acquired and liabilities assumed by the Group under the Transactions would be approximately HK$1,672.50 million and approximately HK$1,134.37 million respectively. Accordingly, a goodwill on acquisition of approximately HK$538.13 million would have been recognised. Having performed the impairment tests in accordance with Hong Kong Accounting Standard 36 *Impairment of Assets*, the goodwill on acquisition exceeds the recoverable amounts of the cash generating units by approximately HK$276.08 million. Accordingly, an impairment loss on goodwill of approximately HK$276.08 million is recognised, which gives the unaudited pro forma consolidated net assets of the Target Group as at 30 April 2015 amounting to approximately HK$1,396.42 million, which is equal to the recoverable amounts of cash generating units of HK$1,396.42 million as at 30 April 2015 for the purpose of assessing impairment loss on goodwill as disclosed below.

Despite the fact that the impairment loss on goodwill of approximately HK$276.08 million would have been recognised, the Directors consider that the Transactions remain fair and reasonable and in the interests of the Company and the Shareholders as the major item of liabilities assumed by the Group under the Transactions, which is included in the unaudited pro forma consolidated net assets of the Target Group as at 30 April 2015, is the deferred tax liabilities of approximately HK$310.60 million arising from the revaluation of (a) property, plant and equipment of the Target Group, (b) the rights to construct and operate Beijing Bayhood No. 9 Club, and (c) the rights to develop and operate the Subject Land to their fair values at acquisition date.

The deferred tax liabilities represent the temporary differences arising between the tax bases of (a) property, plant and equipment of the Target Group, (b) the rights to construct and operate Beijing Bayhood No. 9 Club, and (c) the rights to develop and operate the Subject Land and their carrying amounts in the consolidated statement of financial position of the Enlarged Group. In accordance with Hong Kong Accounting Standard 12 *Income Taxes*, such deferred tax liabilities are recognised on the presumption that the carrying amounts of the revalued assets are recovered entirely through sale. Given that the Company intends to hold Beijing Bayhood No. 9 Club and the hotel villas and high-end hotel apartments erected on the Subject Land as long-term investments for rental purposes, the Directors believe that (a) the payment of the deferred tax liabilities is highly unlikely, (b) the recognition of the deferred tax labilities of approximately HK$310.60 million is purely for the financial reporting purpose only in compliance with Hong Kong Financial Reporting Standards, and (c) the deferred tax labilities of approximately HK$310.60 million does not represent the actual tax liabilities that are required to be paid by the Company, but are reversed annually by the amount of (a) the depreciation expenses relating to the fair value adjustments on the property, plant and equipment arising from business combination and (b) the amortisation expenses relating to fair value adjustments on (1) the rights to construct and operation Beijing Bayhood No. 9 Club and (2) the rights to develop and operate the Subject Land arising from business combination charged to profit or loss time the then applicable tax rate. Without the accounting for the tax effect of fair value adjustments, the unaudited pro forma consolidated net assets of the Target Group as at 30 April 2015 will be approximately HK$1,707.02 million. As such, the Directors are of the view that the Transactions remain fair and reasonable and in the interests of the Company and the Shareholders.

The estimation of the recoverable amounts of cash generating units of approximately HK$1,396.42 million is based on the identifiable assets acquired and liabilities assumed by the Group under the Transactions as disclosed on page 204 of this circular with the following adjustments:

	Notes	*HK$ in million*
Identifiable assets acquired and liabilities assumed by the Group under the Transactions as disclosed on page 204 of this circular		1,134.37
Less: Final Valuation of Beijing Bayhood No. 9 Club	*1*	(382.96)
Add: Leasing Income Valuation of Beijing Bayhood No. 9 Club	*1*	445.40
15% marketability discount made on the Final Valuation of the Proposed Development Project	*2*	199.61
Recoverable amounts of cash generating units		1,396.42

Notes:

1. The Final Valuation of Beijing Bayhood No. 9 Club of approximately RMB301.59 (or equivalent to approximately HK$382.96 million) is replaced by the Leasing Income Valuation of Beijing Bayhood No. 9 Club with a value of approximately RMB350.76 million (or equivalent to approximately HK$445.40 million). The Leasing Income Valuation of Beijing Bayhood No. 9 Club is prepared for the purpose of assessing impairment on goodwill and based on the discounted cashflow of rental income to be received by BJ Bayhood No. 9 Co. up to 31 December 2051 in accordance with the Club Lease Agreement and the annual rental payable by BJ Bayhood No. 9 Co. to the lessor of the Club Land.

2. A 15% discount for lack of marketability of approximately RMB157.21 million (or equivalent to approximately HK$199.61 million) is applied in arriving at the Final Valuation of the Proposed Development Project. Such discount is made under the concept of marketability, that is how quickly and easily an ownership interest can be converted into cash if the owner chooses to sell it. According to the independent valuer, American Appraisal China Limited, marketability discount is commonly applied on privately owned business by the valuation profession when carrying out a valuation in compliance with the International Valuation Standards recommended by the International Valuation Standards Council. Given that the Enlarged Group intends to hold the properties erected on the Subject Land as long-term investments for rental purposes, rather than sell them for profit, the 15% marketability discount is added back in estimating the recoverable amounts of cash generating units. According to the Company's auditors, to add back the 15% marketability discount in estimating the recoverable amounts of cash generating units in respect of the Proposed Development Project is in accordance with Hong Kong Accounting Standard *36 Impairment of Assets*.

The unaudited pro forma consolidated net assets of the Target Group of approximately HK$1,396.42 million as at 30 April 2015, which is equal to the recoverable amounts of cash generating units of HK$1,396.42 million as at 30 April 2015 for the purpose of assessing impairment loss on goodwill as disclosed above, can be calculated based on the identified assets acquired and liabilities of approximately HK$1,134.37 million as at 30 April 2015 plus the goodwill on acquisition of approximately HK$538.13 million and minus the impairment loss of approximately HK$276.08 million.

The reconciliation with the net liabilities of the Target Group as at 30 April 2015 as disclosed on page 128 of this circular is as follows:

	HK$ in million
Unaudited pro forma consolidated net assets of the Target Group as at 30 April 2015	1,396.42
Less: Assignment of the Shareholder's Loan	(1,076.00)
Fair value adjustments for property, plant and equipment	(49.72)
Fair value adjustments for intangible assets	(1,192.70)
Goodwill on acquisition	(538.13)
Add: Derecognition of carrying amounts of motor vehicles	0.80
Recognition of deferred tax liabilities on fair value adjustments at a tax rate of 25%	310.60
Impairment loss on goodwill	276.08
Net liabilities of the Target Group as at 30 April 2015 as disclosed on page 128 of this circular	(872.65)

(ii) Cash and cash equivalents

Based on the unaudited pro forma consolidated statement of cash flows of the Enlarged Group as set out in Appendix IV to this circular, and assuming completion of the Transactions and the Eternity Rights Issue had been taken place on 1 January 2014, the cash and cash equivalents would have been decreased by 18.61% from approximately HK$384.78 million to approximately HK$313.16 million.

(iii) Gearing ratio

The Group expresses its gearing ratio as a percentage of total borrowings over the equity attributable to owners of the Company. As at 31 December 2014, the gearing ratio of the Group was 0.48%. Based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix IV to this circular and assuming completion of the Transactions and the Eternity Rights Issue had been taken place on 31 December 2014, the gearing ratio would have decreased to 0.31%.

(iv) Revenue and loss for the year attributable to owners of the Company

Based on the unaudited pro forma consolidated statement of profit or loss of the Enlarged Group as set out in Appendix IV to this circular and assuming completion of the Transactions and the Eternity Rights Issue had taken place on 1 January 2014, (a) the revenue would have increased by approximately 20.63% from approximately HK$110.76 million to approximately HK$133.61 million; and (b) the loss for the year attributable to owners of the Company of approximately HK$151.86 million would have been recorded by the Enlarged Group. The turnaround of the Enlarged Group's performance from the profit of approximately HK$238.08 million to the loss of approximately HK$151.86 million was mainly attributable to the recognition of the impairment loss on goodwill of approximately HK$380.16 million and the related acquisition costs incurred for the Transactions of approximately HK$10.00 million, which are one-off items.

Despite that fact that the Enlarged Group would have recorded the loss for the year attributable to owners of the Company of approximately HK$151.86 million, the Directors consider that the Transactions remain fair and reasonable and in the interests of the Company and the Shareholders as (a) the impairment loss of approximately HK$380.16 million recognised in the year ended 31 December 2014 is mainly attributable to the recognition of deferred tax liabilities of approximately HK$310.60 million in accordance with Hong Kong Accounting Standard 12 *Income Taxes* as discussed in the above paragraph and (b) the performance of the Target Group for the year ending 31 December 2015 does not fully reflect its profitability as the Proposed Development Project is still at the development stage and no rental income has yet been generated. Upon the completion of the Proposed Development Project, the hotel villas and high-end hotel apartments to be erected on the Subject Land will generate on-going stable rental income to the Enlarged Group. Accordingly, the Enlarged Group's profitability will be improved and its revenue source will be diversified. As such, the Directors are of the view that the Transactions remain fair and reasonable and in the interests of the Company and the Shareholders.

As advised by the Company's auditors, they will adopt the consistent accounting policies and principal assumptions to assess the impairment of goodwill.

It should be noted that the Final Valuation of Beijing Bayhood No. 9 Club provides a value of approximately RMB302 million from the perspective of a service provider, whereas the Leasing Income Valuation of Beijing Bayhood No. 9 Club provides a value of approximately RMB350.76 million. The difference of RMB48.76 million between these two valuations is due to different basis and assumptions used in arriving at the values under these two valuations.

For the Final Valuation of Beijing Bayhood No. 9 Club, it is prepared based on an assumption that Beijing Bayhood No. 9 Club is operated and managed by a general market participant, in which the revenue and all costs and expenses (including the annual rental payable to the lessor for the Club Land, staff cost and depreciation and amortisation expenses) in respect of Beijing Bayhood No. 9 Club are recognised in the books of BJ Bayhood No. 9 Co. The detailed basis and assumptions used in the Final Valuation of Beijing Bayhood No. 9 Club are set out on pages 227 to 230 under paragraph headed "Beijing Bayhood No. 9 Club" in Appendix V to this circular.

For the Leasing Income Valuation of Beijing Bayhood No. 9 Club, it is prepared based on an assumption that BJ Bayhood No. 9 Co receives rental income from BJ Haikou No. 9 Co in accordance with the terms of the Club Lease Agreement until the expiry of the Club Lease Agreement on 31 December 2051, which is the net cash inflow of the annual rental income to be received by BJ Bayhood No. 9 Co from BJ Haikou No. 9 Co in accordance with the terms of the Club Lease Agreement as set out on pages 33 to 37 under the paragraph headed "2.2 The Club Lease Agreement" of this circular after deducting the annual rental payable by BJ Bayhood No. 9 Co to the lessor of the Club Land during the period from the date of Completion to the expiry of the Club Lease Agreement on 31 December 2051 discounted at a rate of 9.00%. Please refer to the section headed "Leasing Income Valuation" in Appendix V to this circular for information.

At the time of entering into the S&P Agreement, the Directors for information purpose have engaged American Appraisal China Limited, an independent valuer, to evaluate the values of Beijing Bayhood No. 9 Club and the Proposed Development Project as at 30 September 2014. Prior to the entering into the S&P Agreement, American Appraisal China Limited has provided the Company with indicative values of Beijing Bayhood No. 9 Club and the Proposed Development Project as at 30 September 2014 based on the business plan and financial forecast provided by the Company. The Final Valuations are the completion of the Preliminary Valuations for the sole purpose of the indicative values.

Given that the Enlarged Group shall lease Beijing Bayhood No. 9 Club to BJ Haikou No. 9 Co and receive rental income from BJ Haikou No. 9 Co in accordance with the terms of the Club Lease Agreement upon Completion, the Directors consider that (a) the Leasing Income Valuation of Beijing Bayhood No. 9 Club fairly reflects the substance of the economic benefits generated from Beijing Bayhood No. 9 Club to the Enlarged Group after Completion and (b) the use of the Leasing Income Valuation of Beijing Bayhood No. 9 Club, instead of the Final Valuation of Beijing Bayhood No. 9 Club, in assessing impairment loss on goodwill at each reporting period is more appropriate.

Upon Completion, the Enlarged Group will use valuation reports adopting the same basis and assumptions employed in the Leasing Income Valuation of Beijing Bayhood No. 9 Club in assessing impairment loss on goodwill in its consolidated financial statements at the end of each reporting periods as long as the Club Lease Agreement remains in force and effect.

In the event that the Club Lease Agreement is terminated and the Enlarged Group operates and manages Beijing Bayhood No. 9 Club by itself, the Enlarged Group will use valuation reports adopting the same basis and assumptions employed in the Final Valuation of Beijing Bayhood No. 9 Club in assessing impairment loss on goodwill in its consolidated financial statements at the end of each reporting periods.

The Directors would like to draw the attentions of the Shareholders that, as the fair values of the Eternity Consideration Shares and the identified assets acquired and liabilities assumed by the Group under the Transactions at Completion may be substantially different from the fair values used in the preparation of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, the actual financial effects of the Transactions on the Enlarged Group at the Completion may be different from the amounts presented in this section and the differences may be significant.

7. THE PROPOSED DEVELOPMENT PROJECT

7.1 Development plan

The development of the Subject Land is divided into three phases, which are the Phase I Hotel Villas, the Phase II Hotel Villas and the Phase III Hotel Apartments. Details of each phase are as follows:

1. the Phase I Hotel Villas involves erecting 9 hotel villas with total gross floor area of 21,661 square meters, which has been commenced in August 2013 and is expected to be completed in the fourth quarter of 2015. The gross floor area of the hotel villas range from approximately 2,364 square meters to approximately 2,677 square meters;

2. the Phase II Hotel Villas involves erecting 29 hotel villas with total gross floor area of 33,000 square meters, which is expected to be commenced in the third quarter of 2015 and completed in the second quarter of 2016. The gross floor area of the hotel villas range from approximately 200 square meters to approximately 1,500 square meters; and

3. the Phase III Hotel Apartments is a development of a five-storey luxury high-end hotel apartment complex with restaurants, multi-function room facilities and approximately 100 hotel apartment units with total gross floor area of 25,000 square meters, which is expected to be commenced in the third quarter of 2016 and completed in the second quarter of 2017.

7.2 Operating plan

The Target Group outsources all of the construction works and services of the Proposed Development Project to external construction contractors, who are third parties independent of Jiuhao Health, the Company and their respective connected persons.

The Target Group already has a dedicated in-house project management team with local expertise to oversee the day-to-day operations of the Proposed Development Project. The project management team has nine members, comprising a Senior Vice President, a Project Management Controller, five PRC qualified engineers in various aspects of construction and civil engineering, one landscape architecture designer, one graphic designer and two supporting staff. The Senior Vice President has more than 20 years in hotel management, hospitality and service industry. The Project Management Controller is a professional interior designer with more than 15 years of experience in the field of building and construction project management and coordination.

In overseeing the day-to-day operations of the Proposed Development Project, the project management team coordinates closely with various parties and negotiates with external contractors to avoid any delay in construction progress or inferior quality delivery. The project management team conducts quality and safety control checks on all construction materials and workmanship and also monitor construction progress, work site safety and the construction completion schedules. To ensure quality and safety of the Proposed Development Project, the project management team conducts site visits from time to time. The project management team regularly reports the project status to the management of the Target Group.

As advised by the Vendor, the existing project and construction management structure of the Proposed Development Project has already been in place since 2013, which works efficiently and effectively.

Upon Completion, the Enlarged Group will retain the entire project management team and adopt the existing project and construction management structure for completing the Proposed Development Project. In addition, Mr. Cheung Kwok Fan, who is an executive Director, a Registered Architect in Hong Kong and an Authorised Person, and Mr. Chan Kin Wah, Billy, who is an executive Director and a qualified accountant, will participate in the project management team in order to enhance the quality and efficiently of the project management team.

7.3 Budgeted development costs and sources of financing

The budgeted total development costs for the Proposed Development Project is RMB921.39 million (equivalent to approximately HK$1,170.17 million). The expected dates of commencement, the expected dates of completion and the budgeted development costs for the Phase I Hotel Villas, the Phase II Hotel Villas and the Phase III Hotel Apartments are as follows:

	Expected date of commencement	**Expected date of completion**	**Budgeted development costs**	
			RMB in million	*HK$ in million*
The Phase I Hotel Villas	N/A	Fourth quarter of 2015	175.59	223.00
The Phase II Hotel Villas	Third quarter of 2015	Second quarter of 2016	432.90	549.78
The Phase III Hotel Apartments	Third quarter of 2016	Second quarter of 2017	312.90	397.39
Total			921.39	1,170.17

As disclosed on page 18 of this circular, the Group had cash and cash equivalent on hand amounting to HK$599.03 million and the portfolio of financial assets for trading purposes with market value of HK$786.83 million as at 30 June 2015. In addition, the Group had loan receivables (excluding interest receivables) amounting to HK$826.00 million, of which HK$383.00 million, HK$230.00 million and HK$213.00 million will be matured in the years ending 31 December 2015, 2016 and 2017 respectively, as at 30 June 2015.

It is the intention of the Directors to finance the budgeted development costs for the Proposed Development Project by the Group's internal resources. Given that the Group had an adjusted cash and cash equivalent on hand amounting to HK$576.03 million (further adjusted for utilising HK$23.00 million to settle the cash portion of the Consideration as discussed on page 18 of this circular) and the portfolio of financial assets for trading purposes with market value of HK$786.83 million as at 30 June 2015, the Directors believe that the Enlarged Group has sufficient internal resources to finance the capital requirement for completing the Proposed Development Project. In the event that there is a market correction causing a significant decline in the market value of the Enlarged Group's portfolio of financial assets, the Enlarged Group will slow down the pace of its money lending business in order to utilise the loan repayments from its customers or obtain loans from banks to satisfy the capital requirement for completing the Proposed Development Project.

Based on the above assessment, the Directors believe that, taking into the Company's existing internal resources, the Enlarged Group has sufficient internal resources to complete the entire Proposed Development Project.

Save and except for the Eternity Rights Issue, the Company does not have any fund raising plans in the coming 12 months since the Latest Practicable Date.

7.4 Risks factors

During the development period of the Proposed Development Project, the Enlarged Group is subject to the following risks:

Delay in completion of the Proposed Development Project

As at the Latest Practicable Date, a substantial portion of the Proposed Development Project has not yet been completed. The construction progress of the Proposed Development Project can be adversely affected by many factors, including but not limited to:

- shortage of construction and building materials, equipment, contractors and/or skilled labour;
- labour disputes;
- construction accidents;
- unforeseen engineering, design, environmental or geographical problems;
- natural disasters;
- adverse weather conditions; and
- other unforeseen problems or circumstances.

Consequently, a delay in completion of the Proposed Development Project according to its planned schedule may adversely affect the business, results of operations and financial condition of the Enlarged Group.

Volatility in the prices of construction and building materials

The Enlarged Group engages independent construction contractors to provide various construction works for the Proposed Development Project. The construction contractors are responsible for procuring the necessary construction and building materials to complete the construction works. The costs of construction and building materials, which are included in payments to the construction contractors of the Enlarged Group, constitute a substantial proportion of the construction costs of the Enlarged Group. The prices of construction and building materials have been fluctuating in the global market and in the PRC. Any increase in the prices of construction and building materials that are sourced by the Enlarged Group's construction contractors if the Enlarged Group cannot cap the costs of construction and building materials with them could result in additional costs to the Enlarged Group. As such, any increase in the prices of construction and building materials may adversely affect the business, results of operations and financial condition of the Enlarged Group.

Change of laws, rules and regulations of planning, design and construction on buildings and associated works

The architectural and construction plan of the Proposed Development Project have been completed. Any change of the laws, rules and regulations on planning, design and construction of buildings and associated works in the PRC could result an amendment to the architectural and construction plan of the Proposed Development Project, which will incur additional costs and/or time to the Enlarged Group for completing the Proposed Development Project. As such, any change of the laws, rules and regulations on planning, design and construction of buildings and associated works in the PRC may adversely affect the business, results of operations and financial conditions of the Enlarged Group.

Reliance on external contractors and service providers to complete the Proposed Development Project

The Enlarged Group does not carry out any construction works or services on the Proposed Development Project, but engages external contractors and service providers with relevant qualifications to carry out construction works and provide various services, including design and interior decoration. There is no guarantee that the construction works and the services rendered by any of these external contractors and service providers will be satisfactory or meet the quality standards specified by the Enlarged Group. If the performance of the external contractors or service providers falls short of the required standard, or the external contractors or service providers encounter financial, operational or managerial difficulties or disputes, the Enlarged Group may need to replace them or take other actions to remedy the situation. It will cause the Enlarged Group to incur additional costs and time for completing the Proposed Development Project. Accordingly, the Enlarged Group's business, financial condition and results of operations will be adversely affected.

Failure to obtain or delay in obtaining the necessary remaining assessment opinions for the Proposed Development Project

As stated on pages 45 to 47 of this circular, each of the Phase I Hotel Villas, the Phase II Hotel Villas and the Phase III Hotel Apartments has already obtained (i) the preliminary assessment opinion on use of land issued by the Chaoyang branch of the Beijing Municipal Bureau of Land and Resources on 26 April 2011; (ii) the permission opinion issued by the Beijing Municipal Commission of Development & Reform on 1 July 2011; (iii) the assessment opinion issued by the Beijing Municipal Commission of Urban Planning on 26 January 2011; and (iv) the assessment opinion issued by the Beijing Municipal Commission of Urban Planning on 16 December 2011. Each of the Phase I Hotel Villas, the Phase II Hotel Villas and the Phase III Hotel Apartments has also received (i) the rural construction planning permit (鄉村建設規劃許可證) issued by the Beijing Municipal Commission of Urban Planning; and (ii) the building construction permit (建築工程施工許可證) issued by the Ministry of Housing and Urban-Rural Development. The above opinions and permits are the material opinions and permits required for the construction of the Phase I Hotel Villas, the Phase II Hotel Villas and the Phase III Hotel Apartments.

Other than the above, the assessment opinions from the relevant environmental departments, fire safety departments and civil defense departments are required prior to the completion of the construction and/or the operation of each of the Phase I Hotel Villas, the Phase II Hotel Villas and the Phase II Hotel Apartments. According to the preliminary advice of the Company's PRC legal adviser, they do not expect the Enlarged Group to have any difficulties or delay in obtaining the aforesaid assessment opinions prior to the completion of the construction and/or the operation of each of the Phase I Hotel Villas, the Phase II Hotel Villas and the Phase II Hotel Apartments.

There is no assurance that the Enlarged Group will be able to obtain the remaining assessment opinions from the relevant environmental departments, fire safety departments and civil defense departments in a timely manner, or at all, and that the Enlarged Group may not encounter problems fulfilling all or any of the conditions imposed for obtaining the remaining assessment opinions, or that the Enlarged Group will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the obtaining of such assessment opinions. If the Enlarged Group fails to obtain, or is considered by relevant governmental departments to have failed to obtain, or experience significant delays in obtaining the remaining assessment opinions, the Enlarged Group is exposed to disruption or delays in the progress of the Proposed Development Project, which in turn could materially and adversely affect its business, financial condition and results of operations.

As the Proposed Development Project is a one-off project to the Enlarged Group, the above risks are extinguished upon completion of the Proposed Development Project and do not have continuing effect on the Enlarged Group.

As the properties erected on the Subject Land are not for selling, the Enlarged Group is not subject to the following risks associated with a normal property development project:

1. the risk relating to pre-sale of properties, including the risk of failure to complete a property development project;

2. the risk relating to potential compensation payable to purchasers for delivery of unsatisfactory quality of pre-sold properties; and

3. the risk relating to failure to obtain the land use rights certificates and/or the certificates of completion and acceptance of pre-sold properties.

8. VALUATION OF THE BEIJING BAYHOOD NO. 9 CLUB AND THE PROPOSED PROJECT DEVELOPMENT

At the time of entering into the S&P Agreement, the Directors for information purpose have engaged American Appraisal China Limited, an independent valuer, to evaluate the values of Beijing Bayhood No. 9 Club and the Proposed Development Project as at 30 September 2014. As described the paragraph headed "2.1 The S&P Agreement" of this circular, American Appraisal China Limited has provided the Company with indicative values of Beijing Bayhood No. 9 Club and the Proposed Development Project as at 30 September 2014 based on the business plan and financial forecast provided by the Company.

American Appraisal China Limited has provided Eternity with final valuations of Beijing Bayhood No. 9 Club and the Proposed Development Project as at 31 March 2015. Details of the valuation reports are set out in Appendix V to this circular. Set out below are a summary of the methodology and assumptions used in the valuation and major bases and assumptions used in the financial projections.

8.1 Methodology and assumptions used in the valuation

8.1.1 Valuation approaches

In the process of valuing Beijing Bayhood No. 9 Club and the Proposed Development Project, American Appraisal China Limited considered three valuation approaches, namely the market approach, cost approach and income approach.

The Company concurs with American Appraisal China Limited that the cost approach, which normally neglects the future earning potential of Beijing Bayhood No. 9 Club and the Proposed Development Project, is not appropriate for valuing the Beijing Bayhood No. 9 Club and the Proposed Development Project. The Company also concurs with American Appraisal China Limited that the market approach is not appropriate as there is no established market data for similar assets or transactions.

The income approach, which measures the present value of the net economic benefit to be received and focuses on the income-generating capability of Beijing Bayhood No. 9 Club and the Proposed Development Project, was considered by American Appraisal China Limited and concurred by the Company as the most appropriate approach.

Under the income approach, the discounted cash flow method was used by American Appraisal China Limited, which estimated the market value of Beijing Bayhood No. 9 Club and the Proposed Development Project by discounting the future free cash flows to be generated by Beijing Bayhood No. 9 Club and the Proposed Development Project, including revenues and costs, at a relevant rate of return required by equity to its present value.

8.1.2 Discount rate

A discount rate of 14% and 13% for valuing Beijing Bayhood No. 9 Club and the Proposed Development Project respectively was used by American Appraisal China Limited in discounting the future free cash flows generated by Beijing Bayhood No. 9 Club and the Proposed Development Project respectively. American Appraisal China Limited estimated the weighted average cost of capital ("**WACC**") of the Target Group as the discount rate. The basis of determination for each component of the WACC is set out in Appendix V to this circular. Based on the discussion with American Appraisal China Limited about the bases used for determining the discount rate, the Company considered that such rate is justifiable.

Concerning the discount for lack of marketability (the "**LOMD**"), American Appraisal China Limited, therefore applied a LOMD of 15.0% to the net present value of the future free cash flows of Beijing Bayhood No. 9 Club and the Proposed Development Project respectively. The Company has discussed with American Appraisal China Limited and understood that, in determining the LOMD, American Appraisal China Limited applied option-pricing model to estimate the LOMD as this model can take into account the factors like timing of liquidity event and risk factors in terms of volatility.

8.2 Major bases and assumptions used in the financial projections

Based on the valuation reports dated 31 August 2015 prepared by American Appraisal China Limited, the values of Beijing Bayhood No. 9 Club and the Proposed Development Project respectively as at 31 March 2015 amounted to approximately RMB302 million (equivalent to approximately HK$383.54 million) and RMB891 million (approximately HK$1,131.57 million) respectively.

American Appraisal China Limited has appraised the values of Beijing Bayhood No. 9 Club and the Proposed Development Project on the basis of "**market value**" on continued use premise which assumes that the Target Group will continue the operation normally with neither the intention nor necessity of liquidation or of curtailing materially the scale of its operation basis. American Appraisal China Limited has also made the following assumptions in the course of its appraisal:

- no major changes are expected in political, legal and economic conditions in China;
- regulatory environment and market conditions for hotel industry will be developing according to prevailing market expectations;
- there will be no major changes in the current taxation law in China;
- the Target Group will not be constrained by the availability of finance or any other political or regulatory risks;
- exchange rates and interest rates will not differ materially from prevailing market expectations; and
- the Target Group will retain competent management, key personnel and technical staff to support their ongoing operations.

8.3 Sensitivity analysis

As part of the valuation prepared by American Appraisal China Limited, analysis of value indication arrived at using the income approach was performed. American Appraisal China Limited have tested sensitivity of the respective values of Beijing Bayhood No. 9 Club and the Proposed Development Project to changes to, among other things, WACC, annual new members in 2015 to 2019 and EBITDA margin.

Set out below is a summary of the sensitivity analysis. Details of which are set out in the Valuation Reports in Appendix V to this circular.

		Base case		**Low end case**		**High end case**	
				(a)	(b)	(c)	(d)
		Beijing Bayhood No. 9 Club	*The Proposed Development Project*	*Beijing Bayhood No. 9 Club*	*The Proposed Development Project*	*Beijing Bayhood No. 9 Club*	*The Proposed Development Project*
(i)	WACC	14%	13%	12%	11%	16%	15%
(ii)	Annual new members from 2015 to 2019	45		30		60	
(iii)	Percentage increase in membership subscription in every 4 years	8%		3%		12%	
(iv)	Daily room rate (RMB/sq. m.)		50		40		60
(v)	Occupancy rate (annual)		60%		50%		70%
(vi)	EBITDA margin		35%		25%		45%
	As at 31 March 2015 fair market value (RMB'000)	302,000	891,000				
	Fair market value (assuming (i)(a) and (ii)(a) for the low end case; and (i)(c) and (ii)(c) for the high end case) (RMB'000)			274,000		330,000	

	Base case		Low end case		High end case	
			(a)	(b)	(c)	(d)
	Beijing Bayhood No. 9 Club	*The Proposed Development Project*	*Beijing Bayhood No. 9 Club*	*The Proposed Development Project*	*Beijing Bayhood No. 9 Club*	*The Proposed Development Project*
Fair market value (assuming (i)(a) and (iii)(a) for the low end case; and(i)(c) and (iii)(c) for the high end case) (RMB'000)			319,000		285,000	
Fair market value (assuming (i)(b) and (iv)(b) for the low end case; and(i)(d) and (iv)(d) for the high end case) (RMB'000)				834,000		916,000
Fair market value (assuming (i)(b) and (v)(b) for the low end case; and(i)(d) and (v)(d) for the high end case) (RMB'000)				907,000		868,000
Fair market value (assuming (i)(b) and (vi)(b) for the low end case; and(i)(d) and (vi)(d) for the high end case) (RMB'000)				647,000		1,039,000

American Appraisal China Limited has used the discounted cash flow method in evaluating Beijing Bayhood No. 9 Club and the Proposed Development Project as at 31 March 2015. The accounting policies and calculations adopted in and the calculations of the discounted cash flow forecast underlying such valuation have been properly complied in accordance with the bases and assumptions as set out therein, and on a basis consistent with the accounting policies normally adopted by the Company as set out in the audited consolidated financial statements of the Company for the year ended 31 December 2014. The Directors confirm that they had made the discounted cash flow forecast underlying such valuation after due and careful enquiry.

Each HLB Hodgson Impey Cheng Limited (the reporting accountants of the Company) and Altus Capital (the financial adviser of the Company) has examined the accounting policies and calculations for the underlying business plan and financial forecast provided by the Company and reported thereon pursuant to Rule 14.71 of the Listing Rules. Their respective letters are set out in Appendices VI and VIII of this circular for your consideration.

9. FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has conducted the following equity fund raising activity in the past 12 months immediately before the Latest Practicable Date:

Date of announcement	Fund raising activity	Discount of the price of the funding raising activity	Net proceeds	Proposed use of proceeds	Actual use of proceeds
15 May 2015 (circular dated 26 June 2015 and prospectus dated 29 July 2015)	The Eternity Rights Issue	The subscription price of HK$0.70 per Eternity Rights Share represent approximately 4.11% discount to the closing price of HK$0.73 per Share as quoted on the Stock Exchange on the Last Trading Day	HK$402.70 million	To finance the payment of part of the Consideration	Subject to the completion of the Transactions

10. LISTING RULES IMPLICATIONS

As certain applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transactions for Eternity exceed 100%, the Transactions constitute a very substantial acquisition for Eternity under Chapter 14 of the Listing Rules. Accordingly, the S&P Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

Pursuant to the S&P Agreement, as part of the Consideration, Eternity will issue the Share Entitlement Note, which confers the Allotment Right to call on Eternity to allot and issue up to a maximum of 1,500,000,000 Eternity Consideration Shares, to Jiuhao Health's assignee(s) upon Completion. Eternity is seeking the grant of a specific mandate at the SGM for the allotment and issue of the 1,500,000,000 Eternity Consideration Shares. An application will be made by Eternity to the Stock Exchange for the listing of, and permission to deal in, the 1,500,000,000 Eternity Consideration Shares.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Transactions. Therefore, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM to approve the S&P Agreement and the transactions contemplated thereunder (including the allotment and issue of the Eternity Consideration Shares under a specific mandate).

Completion of the Transactions are subject to the satisfaction and/or waiver of the substantial conditions precedent in S&P Agreement and therefore, may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

11. SGM

Set out on pages SGM–1 to SGM–3 is a notice convening the SGM to be held at Meeting Room (Soho 2), 6/F., ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Thursday, 17 September 2015 at 10:30 a.m. at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the S&P Agreement and the transactions contemplated thereunder (including the allotment and issue of Eternity Consideration Shares under the specific mandate).

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with 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 the holding of 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 instrument appointing the proxy shall be deemed to have been revoked. Voting on the proposed resolution at the SGM will be taken by poll.**

12. RECOMMENDATIONS

The Directors consider that the terms of the S&P Agreement and the transactions contemplated thereunder (including the allotment and issue of Eternity Consideration Shares under the specific mandate) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the S&P Agreement and the transactions contemplated thereunder (including the allotment and issue of Eternity Consideration Shares under the specific mandate). You are advised to read the "Letter from the Board" before deciding how to vote on the resolution relating to the S&P Agreement and the transactions contemplated thereunder (including the allotment and issue of Eternity Consideration Shares under the specific mandate) to be proposed at the SGM.

Warning statement

Shareholders and potential investors should note that the Transactions is conditional upon fulfilment of the conditions precedent of the S&P Agreement, details of which have been set out under the paragraph headed "Conditions precedent" of this circular. Accordingly, the Transactions may or may not proceed.

13. ADDITIONAL INFORMATION

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

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

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

A. FINANCIAL INFORMATION

The financial information and management discussion and analysis of the Group for each of the three years ended 31 December 2012, 2013 and 2014 has been set out in the annual reports of the Company for the three years ended 31 December 2012, 2013 and 2014 respectively, which are published on the websites of the Company (http://www.eternityinv.com.hk) and the Stock Exchange (http://www.hkex.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

B. FINANCIAL AND TRADING PROSPECTS

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. In addition, concerns over the PRC's slowing economy sparked market corrections in all major equity markets in August 2015. 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 Enlarged Group's equities mix from time to time and realise the Enlarged Group's equities into cash as and when appropriate. The Enlarged Group will continue to adopt 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 Enlarged Group has adopted a wait-and-see approach towards its property investment in Hong Kong.

To expand its property investment business into the PRC, the Company as purchaser entered into the S&P Agreement with the Vendor as vendor and Jiuhao Health as guarantor in relation to the Transactions. The Enlarged Group intends to hold Beijing Bayhood No. 9 Club and the hotel villas and the high-end hotel apartments to be erected on the Subject Land as long-term investments for rental purposes. Upon Completion, Beijing Bayhood No. 9 Club will be leased to BJ Haikou No. 9 Co under the Club Lease Agreement. The first rental receipt of RMB90.00 million (equivalent to approximately HK$114.30 million) from Beijing Bayhood No. 9 Club will be utilised to finance the payment of part of the Consideration.

With the active expansion in the second half of 2013 and the first half of 2014, the Enlarged Group's money lending business recorded a significant growth in 2014 as compared to 2013. The Enlarged Group will slow down its pace of expanding money lending business in 2015 as some internal cash resources of the Enlarged Group will be allocated to finance the operations of the Target Group. 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 a conditional subscription agreement with six subscribers relating to the proposed subscription of new EDS Shares and new convertible preferred shares of EDS on 17 February 2015. The Directors believe that the entering into of the conditional 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 completion of the proposed subscription, the Enlarged Group is deemed to dispose of a substantial percentage in its shareholding interest in EDS and EDS will cease to be a subsidiary of the Company. The Enlarged Group's investment in EDS will be accounted for as available-for-sale investment. The Directors consider that, following completion of the proposed subscription, the Enlarged Group as a shareholder holding 52,500,000 EDS Shares will continue to benefit from the increase in market price of the EDS Shares driven by the improvement in profitability of EDS and its subsidiaries.

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

C. INDEBTEDNESS OF THE ENLARGED GROUP

Borrowings

At the close of business on 30 June 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had total borrowings of HK$10,277,000 representing:

(a) a loan of HK$7,500,000 granted to EDS by an Independent Third Party, which is interest bearing at 10.00% per annum, unsecured and maturing on 10 June 2016;

(b) a loan of HK$2,617,000 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$160,000 of which (i) HK$145,000 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 Enlarged Group's title to the leased assets, and (ii) HK$15,000 is non-interest bearing and secured by the Enlarged Group's title to the leased assets.

Contingent Liabilities

As at the close of business on 30 June 2015, the Enlarged 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 audited 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 Enlarged 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, 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 Judgment**"), 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 Judgment being obtained against him;

(iii) an order for discovery upon oath of all matters relating to the Summary Judgment;

(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 Court of First Instance 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 June 2015, the Enlarged Group had a total commitment of HK$2,052,238,000 relating to:

(a) the subscription of the second tranche of convertible notes to be issued by China Star Entertainment Limited ("**China Star**", stock code: 326) 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 respectively). 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 Enlarged Group and its customers;

(c) the Consideration of HK$1,650,000,000 for the Transactions. 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 the Share Entitlement Note, which entitles the holder thereof to call for the allotment and issue of 1,500,000,000 Eternity Consideration Shares at a price of HK$0.70 per Eternity Consideration Share. The Transactions are conditional upon the fulfillment and/or waiver (as the case may be) of the conditions precedent set out in the S&P Agreement; and

(d) the capital commitments of HK$93,238,000 relating to the additions to property, plant and equipment by the Target Group.

Disclaimer

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

D. WORKING CAPITAL

Taking into account the expected completion of the Transactions and the financial resources available to the Enlarged Group, including the internally generated funds, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

E. MATERIAL CHANGE

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

There has not been any interruption in the business of the Company which may have or have had a material adverse effect on the financial position of the Company in the 12 months immediately preceding the date of this circular.

F. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE GROUP

The following are extracted from the annual reports of the Company for the years ended 31 December 2012, 2013 and 2014 respectively. Terms used and defined in this paragraph are confined within this paragraph.

(i) For the year ended 31 December 2014

On 11 June 2014, the Group disposed of the entire issued share capital of Rich Daily Group Limited ("**Rich Daily**"), a wholly owned subsidiary of the Company. The principal activity of Rich Daily is the provision of management services. Accordingly, the results of Rich Daily are presented separately as discontinued operations.

Profit attributable to owners of the Company for the year ended 31 December 2014 from continuing and discontinued operations amounted to HK$238,077,000, a 144.84% increase from HK$97,238,000 for the previous year.

Results of continuing operations

During the year ended 31 December 2014, the Group recorded revenue of HK$110,755,000, a 329.40% increase from HK$25,793,000 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, the consolidation of the financial results of EDS Wellness Holdings Limited ("**EDS Wellness**", stock code: 8176) and its subsidiaries (collectively, the "**EDS Wellness Group**") since 2 July 2014 and the commencement of a new business, namely design and sale of jewelry products, in October 2014. Of the total turnover, HK$78,316,000 was generated from money lending, HK$22,084,000 was generated from sale of beauty products and provision of therapy services, HK$14,273,000 was generated from sale of jewelry products and a loss of HK$3,918,000 was generated from sale of financial assets. Profit for the year from continuing operations amounted to HK$225,147,000, an increase of 123.93% as compared with HK$100,543,000 for the previous year. This increase was mainly attributable to HK$117,313,000 increase in gain arising on change in fair value upon conversion of convertible notes receivables and a gain of HK$66,883,000 arising on disposal of available-for-sale financial assets, which are partially offset by an impairment loss of HK$46,519,000 recognised in respect of other receivables.

Gross profit and gross profit margin for sale of beauty products and provision of therapy services in the year ended 31 December 2014 were HK$6,929,000 and 31.38% respectively. Gross profit and gross profit margin for sale of jewelry products in the year ended 31 December 2014 were HK$2,427,000 and 17.00% respectively.

Investment and other income decreased by 91.14% from HK$42,955,000 in the year ended 31 December 2013 to HK$3,805,000 in the current financial year. This decrease was attributable to the absence of the dividend income of HK$36,479,000 received from China Star Entertainment Limited ("**China Star**", stock code: 326) in May 2013.

Other gains and losses represent items of income and expenses, which are material and/or extraordinary in nature. Major items of other gains and losses recorded by the Group during the year are as follows:

(a) On 28 March 2014, the Group converted the remaining principal of HK$225,000,000 of the 8% convertible notes issued by China Star (the "**China Star 8% CNs**") into 2,045,454,545 new shares in China Star at the adjusted conversion price of HK$0.11 per share. Given that the market value of the 2,045,454,545 new shares in China Star valued at the closing price of HK$0.151 per share on 28 March 2014, being the date of conversion, exceeded the fair value of the relevant debt and conversion option components of the China Star 8% CNs by HK$28,461,000, a gain of HK$28,461,000 arising on change in fair value upon conversion of convertible notes receivables was recognised. On 2 July 2014, the Group converted the principal amount of HK$25,000,000 of the zero coupon convertible notes issued by EDS Wellness (the "**EDS Wellness CNs**") into 25,000,000 new shares in EDS Wellness at the initial conversion price of HK$1.00 per share. As the market value of the 25,000,000 new shares in EDS Wellness valued at the closing price of HK$3.4905 per share on 2 July 2014, being the date of conversion, exceeded the fair value of the relevant debt and conversion option components of the EDS Wellness CNs by HK$61,846,000, a gain of HK$61,846,000 arising on change in fair value upon conversion of convertible notes receivables was further recognised. On 30 September 2014, the Group converted the remaining principal amount of HK$15,000,000 of the EDS Wellness CNs into 15,000,000 new shares in EDS Wellness at the initial conversion price of HK$1.00 per share. Given that the market value of the 15,000,000 new shares in EDS Wellness valued at the closing price of HK$3.95 on 30 September 2014, being the date of conversion, exceeded the fair value of the relevant debt and conversion option components of the EDS Wellness CNs by HK$43,452,000, a gain of HK$43,452,000 arising on change in fair value upon conversion of convertible notes receivables was further recognised.

(b) On 15 April 2014 and 17 June 2014, China Star Cultural Media Group Limited ("**China Star Cultural**", stock code: 8172 and formerly known as China Media and Films Holdings Limited), a then associate of the Group, allotted and issued 100,000,000 and 300,000,000 new shares respectively. As a result, the Group's shareholding interest in China Star Cultural was diluted from 29.00% to 16.19%. The Group was deemed to dispose of a 12.81% shareholding interest in China Star Cultural and ceased to have significant influence over China Star Cultural. The Group has accounted for the remaining 16.19% shareholding interest in China Star Cultural as available-for-sale investment whose fair value at 17 June 2014 was HK$52,790,000 and recognised a gain on deemed disposal of an associate of HK$7,669,000.

(c) On 30 May 2014, Koffman Corporate Service Limited ("**Koffman**"), a Hong Kong private company, early redeemed the zero coupon convertible notes of HK$27,000,000 (the "**Koffman CNs**") issued to the Group at par and a gain on early redemption of convertible notes receivables of HK$1,611,000 was recognised.

(d) During the year, the China Star 8% CNs, the EDS Wellness CNs and the Koffman CNs generated imputed interest income of HK$7,686,000 to the Group, representing a decrease of 79.90% from HK$38,233,000 for the year ended 31 December 2013. Such decrease was attributable to the full conversion of the China Star 8% CNs and the EDS Wellness CNs and the early redemption of the Koffman CNs during the year.

(e) On 19 December 2014, the Group disposed of 75,800,000 shares in China Star Cultural in a series of transactions on open market for an aggregate net proceeds of HK$94,172,000 representing an average selling price of HK$1.2468 per share and recognised a gain of HK$66,883,000 on disposal of available-for-sale financial assets.

(f) Given that (i) Mr. Shum Yeung ("**Mr. Shum**") failed to settle the judgment debt and the accrued interest in the aggregate amount of HK$46,519,000 under the Judgment in High Court Action No. 1775 of 2012 and commenced various legal actions to prevent EDS Wellness from recovering the judgment debt and the accrued interest including a fresh legal action as announced by EDS Wellness on 23 January 2015, (ii) it was unclear whether and when EDS Wellness would be able to receive the judgment debt and the accrued interest in full from selling (1) the charged shares in Mr. Shum's companies, and (2) the charged properties as those properties were held by Mr. Shum and another individual as joint tenants and subject to mortgages and EDS Wellness did not have the information of the financial status of Mr. Shum and his companies, the amount of Mr. Shum's interest in the charged properties and the outstanding loan amounts under the mortgages, and (iii) the ability of Dutfield International Group Limited ("**Dutfield**") as guarantor to Mr. Shum to fulfill its obligations under the guarantee depended on the outcome of the legal proceedings for, inter alia, its claim for the sum of HK$141,360,000 under a loan agreement but Dutfield failed to obtain a summary judgment against the debtor and the outcome of the legal proceedings is uncertain, an impairment loss of HK$46,519,000 in respect of other receivables was recognised at the end of the reporting period.

(g) At the end of the reporting period, the Group revalued its equities portfolio at market prices and recognised a gain of HK$27,483,000 arising on change in fair value of financial assets at fair value through profit or loss.

Selling and distribution expenses mainly represented advertising and promotion expenses incurred for the EDS Wellness Group's personal care products under the brand name "Evidens de Beaute", and staff costs of sales team and overseas travelling expenses incurred by the Group's design and sale of jewelry business.

Administrative expenses (before depreciation) amounted to HK$50,395,000 for the year ended 31 December 2014, a 0.99% increase from HK$49,902,000 for the previous year. After adjusting for the loss on disposal of investment properties of HK$13,000,000 recorded in 2013, administrative expenses (before depreciation) for the year increased by 36.56% as compared to the previous year. This increase was mainly attributable to a HK$10,159,000 increase in directors' emoluments and the general increase in administrative expenses resulted from the acquisition of EDS Wellness in July 2014 and the commencement of design and sale of jewelry products business in October 2014.

For the period from 1 January 2014 to 17 June 2014, being the date on which China Star Cultural ceased to be an associate of the Group, China Star Cultural and its subsidiaries reported a consolidated loss of HK$1,510,000 and contributed a loss of HK$555,000 to the Group.

For the year ended 31 December 2014, Spark Concept Group Limited ("**Spark Concept**"), an associate of the Group, and its subsidiaries reported a consolidated loss of HK$920,000. As the Group's share of post-acquisition losses equals to its interests in Spark Concept, no further share of loss was recognised.

Finance costs represented imputed interest on promissory notes, interest on finance leases and interest on loan incurred by the EDS Wellness Group.

Results of discounted operations

Profit for the year from discontinued operations amounted to HK$153,000, whereas a loss of HK$3,306,000 was recorded in the previous year. The turnaround in the performance of the provision of management services business was attributable to the absence of the impairment loss recognised in respect of intangible assets of HK$3,793,000 recorded in the previous year.

Liquidity and financial resources

During the year, the Group funded its operations through a combination of cash generated from operations, equity attributable to owners of the Company and issue of new shares. Equity attributable to owners of the Company increased from HK$1,825,372,000 at 31 December 2013 to HK$2,144,651,000 at 31 December 2014.

At 31 December 2014, the cash and cash equivalents of the Group amounted to HK$384,778,000 (2013: HK$662,153,000).

At 31 December 2014, the Group had outstanding borrowings of HK$10,374,000 (2013: Nil) representing (i) the liability component of HK$6,069,000 in respect of two promissory notes in the aggregate principal amount of HK$6,420,000 issued by EDS Wellness which are non-interest bearing, unsecured and maturing on 30 June 2015, (ii) a loan of HK$1,400,000 advanced by an independent third party which is non-interest bearing, unsecured and repayable on demand, (iii) a loan of HK$2,450,000 advanced by Koffman Investment Limited, a company which is 50% owned by Mr. Yu Zhen Hua Johnny (the chairman and a director of EDS Wellness), which is interest bearing at 5.00% per annum, unsecured and maturing on 25 August 2015 and (iv) the obligations under finance leases of HK$455,000 of which (1) HK$435,000 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 (2) HK$20,000 is non-interest bearing and secured by the Group's title to the leased assets.

Gearing ratio

At 31 December 2014, the gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of the Company was 0.48% (2013: Nil). The increase in gearing ratio was due to the borrowings acquired through the acquisition of ESD Wellness during the year.

Net current assets and current ratio

At 31 December 2014, the Group's net current assets and current ratio were HK$1,695,226,000 (2013: HK$1,146,744,000) and 20.52 (2013:44.94) respectively.

Capital structure

On 4 March 2014, the Company allotted and issued 91,000,000 new shares of HK$0.01 each at a price of HK$0.78 per share to four individual and two corporate investors, who/which and its ultimate beneficial owners are independent third parties, by way of placing of new shares under general mandate raising HK$70,190,000 (net of expenses) for financing the Group's money lending business. The closing price of the Company's shares was HK$0.94 per share as quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 20 February 2014, being the date of the placing agreement. The net price to the Company of each new share was HK$0.7713. The directors considered that the placing presented an opportunity for the Company to raise additional funds for the operations of the Group's money lending business while broadening the shareholder base of the Company.

Use of proceeds from fund raising activities

(a) On 24 January 2013, the Company raised HK$29,931,000 by way of placing of 47,000,000 new shares under general mandate at a price of HK$0.645 per share. The net proceeds from the placing of HK$29,931,000 are intended to be used for property investment in Hong Kong in order to enrich the Group's investment property portfolio. At 31 December 2014, the net proceeds from the placing have not been applied as intended and are placed as interest bearing deposits with a licensed bank in Hong Kong.

(b) On 26 April 2013, the Company raised HK$180,277,000 by way of open offer of 152,224,414 new shares to be qualified shareholders of the Company at a subscription price of HK$1.20 per share. The net proceeds from the open offer of HK$180,277,000 were applied as to (i) HK$100,277,000 for financing the granting of two loans pursuant to the two loan agreements dated 13 May 2013 and 3 June 2013, (ii) HK$40,000,000 for financing the subscription of the convertible notes issued by EDS Wellness on 22 May 2014 and (iii) HK$40,000,000 for financing the granting of an unsecured loan to EDS Wellness on 23 May 2014.

(c) On 4 March 2014, the Company raised HK$70,190,000 by way of placing of 91,000,000 new shares under general mandate at a price of HK$0.78 per share. The net proceeds from the placing of HK$70,190,000 were fully utilised for financing the granting of a loan pursuant to a loan agreement dated 6 March 2014.

Material acquisitions

During the year, the Group had the following material acquisitions:

(a) On 28 March 2014, the Group converted the remaining principal amount of HK$225,000,000 of the China Star 8% CNs into 2,045,454,545 new shares in China Star at the adjusted conversion price of HK$0.11 per share. The conversion constitutes a very substantial acquisition of the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and was approved by the shareholders at the Company's special general meeting held on 30 June 2011.

(b) On 22 May 2014, the Group subscribed for the EDS Wellness CNs of HK$40,000,000 at their face value pursuant to the conditional subscription agreement dated 21 March 2013. The subscription constitutes a discloseable transaction of the Company under the Listing Rules and was announced by the Company on 21 March 2013.

(c) On 2 July 2014, the Group converted the principal amount of HK$25,000,000 of the EDS Wellness CNs into 25,000,000 new shares in EDS Wellness at the initial conversion price of HK$1.00 per share pursuant to the irrevocable undertaking dated 25 June 2014. As a result of the conversion, EDS Wellness became a 65.58% owned subsidiary of the Company. The conversion constitutes a discloseable transaction of the Company under the Listing Rules and was announced by the Company on 21 March 2013.

(d) On 22 July 2014, the Group subscribed for 12,500,000 new shares in EDS Wellness under the open offer announced by EDS Wellness on 25 June 2014 at a subscription price of HK$3.00 per share (the "**EDS Open Offer**") pursuant to the irrevocable undertaking given by the Group to EDS Wellness and the underwriter on 25 June 2014. The EDS Open Offer was completed on 11 August 2014. The Group's shareholding interest in EDS Wellness maintained at 65.58% immediately after the completion of the EDS Open Offer. The subscription constitutes a discloseable transaction of the Company under the Listing Rules and was announced by the Company on 25 June 2014.

(e) On 30 September 2014, the Group converted the remaining principal amount of HK$15,000,000 of the EDS Wellness CNs into 15,000,000 new shares in EDS Wellness at the initial conversion price of HK$1.00 per share. As a result of the conversion, the Group's shareholding interest in EDS Wellness has increased to 70.18%. The conversion constitutes a discloseable transaction of the Company under the Listing Rules and was announced by the Company on 21 March 2013.

Material disposals

During the year, the Group had the following material disposals:

(a) On 15 April 2014, China Star Cultural allotted and issued 100,000,000 new shares by way of placing of new shares under general mandate and the Group' s shareholding interest in China Star Cultural was diluted from 29.00% to 24.21%. On 17 June 2014, China Star Cultural further allotted and issued another 300,000,000 new shares by way of placing of new shares under specific mandate and the Group's shareholding interest in China Star Cultural was further diluted from 24.21% to 16.19%. As a result, the Group was deemed to dispose of a 12.81% shareholding interest in China Star Cultural and China Star Cultural ceased to be an associate of the Group on 17 June 2014.

(b) In April 2014, the Group disposed of 321,600,000 shares in China Star at an average price of HK$0.1358 per share pursuant to the 12-month mandate granted to the directors by the shareholders on 28 June 2013. The disposal constitutes a very substantial disposal of the Company under the Listing Rules and was approved by the shareholders at the Company's special general meeting held on 28 June 2013.

(c) On 30 May 2014, Koffman early redeemed the Koffman CNs of HK$27,000,000 issued to the Group at par.

(d) On 11 June 2014, the Group disposed of the entire issued share capital of Rich Daily to Mr. Ng Cheuk Fai, an independent third party, at a consideration of HK$2,000,000 pursuant to the conditional sale and purchase agreement dated 30 May 2014. The disposal constitutes a discloseable transaction of the Company under the Listing Rules and was announced by the Company on 30 May 2014.

(e) On 19 December 2014, the Group disposed of 75,800,000 shares in China Star Cultural in a series of transactions on open market for an aggregate net sale proceeds of HK$94,172,000. The disposal constitutes a discloseable transaction of the Company under the Listing Rules and was announced on 19 December 2014.

Pledge of assets

At 31 December 2014, the Group's restricted bank deposits of HK$19,701,000 (2013: Nil) were deposits held at banks in respect of credit card and instalment sales arrangement of its sale of beauty products and provision of therapy services business. In addition, the Group's obligations under finance leases are secured by the Group's title to the leased assets, which have a carrying amount of HK$363,000 (2013: Nil).

Material commitments

At 31 December 2014, the Group had a total commitment of HK$1,959,000,000 (2013: HK$408,852,000) relating to:

(a) the subscription of the second tranche of convertible notes to be issued by China Star in the principal amount of HK$300,000,000 pursuant to the conditional subscription agreement dated 21 January 2011 (as amended by the supplemental agreements dated 28 March 2011, 29 June 2012 and 31 December 2013). The subscription of the second tranche of convertible notes is conditional upon the fulfillment of the conditions precedent set out in the conditional subscription agreement, including the availability of sufficient fund by the Company. 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; and

(c) the consideration of HK$1,650,000,000 for the proposed acquisition of the entire shareholding interest in a target company and the assignment of the shareholder's loan due by the target company (the "**Proposed Acquisition**") pursuant to a conditional sale and purchase agreement entered into between the Company as purchaser, a vendor, a wholly owned subsidiary of a company listed on the Main Board of the Stock Exchange (the "**Main Board Listed Company**"), as vendor and the Main Board Listed Company 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 in Company at a price of HK$0.70 per share. The Proposed Acquisition 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.

Exchange risk and hedging

As the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong Dollars and United States Dollars. Accordingly, no financial instruments for hedging purposes have been used by the Group.

Contingent liabilities

At 31 December 2014, 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 (the "**Writ 1**") 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 date of this annual report, not been served with the Writ 1

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

(c) On 28 April 2014, EDS Wellness received a writ of summons (the "**Writ 2**") from the People's Court of Huadu District, Guangzhou City, Guangdong Province of the People's Republic of China (the "**Huadu People's Court**").

Pursuant to the two writs of civil proceedings (the "**Writs of Civil Proceedings**") enclosed with the Writ 2, the plaintiff 廣州市溢盈物業管理服務有限公司 (Guangzhou Yiying Property Management Services Co., Ltd.) ("**YiYing**"), a property management company, alleges that, among others, (i) 廣州市雅基置業有限公司 (Guangzhou Yaji Properties Co. Ltd.) ("**Yaji**") has defaulted in payment of the management fees and utilities and miscellaneous fees in the aggregate amount of RMB2,868,000 (equivalent to HK$3,622,000) in respect of certain commercial properties owned by Yaji in Huadu District, Guangzhou City (the "**Properties**") for the period from February 2012 to January 2014; and (ii) after the Properties had been sold and transferred to Yaji by 廣州市花都佳業房地產開發有限公司 (Guangzhou Huadu Jiaye Property Development Co. Ltd.) ("**Jiaye**"), Yaji continued to default in payment of the management fees and as Yaji did not have enough capacity for payment, upon discussion between the parties, Yaji, EDS Wellness, Yiying and Jiaye entered into a letter of confirmation (the "**Letter of Confirmation**") on 26 November 2010 providing that the obligations which should be performed by Yaji in relation to the management of the Properties would be assumed and performed by EDS Wellness. As such, EDS Wellness shall be jointly liable for the payment of the outstanding management fees and utilities and miscellaneous fees.

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

(i) order Yaji and EDS Wellness to forthwith and jointly pay to Yiying the outstanding management fees from February 2012 to January 2014 in the aggregate amount of RMB2,866,000 (equivalent to HK$3,620,000) and the default payment until the day of actual repayment (which is in the aggregate amount of RMB1,369,000 (equivalent to HK$1,729,000) as at 31 January 2014), totalling RMB4,235,000 (equivalent to HK$5,349,000);

(ii) Order Yaji and EDS Wellness to forthwith and jointly pay to Yiying the outstanding utilities and miscellaneous fees from February 2012 to January 2014 in the aggregate amount of RMB2,500 (equivalent to HK$3,100) and the interest loss until the day of actual repayment of RMB300 (equivalent to HK$400) as at 31 January 2014), totalling RMB2,800 (equivalent to HK$3,500);

(iii) order the appraisal fee of RMB8,000 (equivalent to HK$10,000) for the security for the application for preservation of property be borne jointly by Yaji and EDS Wellness; and

(iv) order all costs of the legal proceedings be borne jointly by Yaji and EDS Wellness.

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

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

(i) the signature of the alleged representative of EDS Wellness on the Letter of Confirmation was different from those of the former directors and the chief executive officer of EDS Wellness at the relevant times;

(ii) the company chop affixed to the Letter of Confirmation was not the one commonly used by EDS Wellness for the execution of documents;

(iii) The style of the signature and the handwriting of the date of execution of the alleged representative of EDS Wellness highly resemble those of Yaji on the same Letter of Confirmation;

(iv) the internal records of EDS Wellness do not show that EDS Wellness has executed or approved the Letter of Confirmation; and

(v) The former chairman and executive director, the former vice-chairman and executive director and the former chief executive officer of EDS Wellness at the relevant times have confirmed that (1) they had never seen or signed the Letter of Confirmation; (2) the Letter of Confirmation had never been tabled for discussion in any meetings of directors of EDS Wellness they attended and they had never passed any resolution in any meeting of directors of EDS Wellness to approve the Letter of Confirmation or authorised any person to represent EDS Wellness to sign the Letter of Confirmation; and (3) they are not aware of any person having signed the Letter of Confirmation for and on behalf of EDS Wellness.

EDS Wellness has instructed the legal advisers in Mainland China to defend the two cases. Three hearings were held by the Huadu People's Court on 16 June 2014, 30 June 2014 and 15 August 2014 respectively.

On 24 September 2014, the EDS Wellness Group received the judgments of the Civil Proceedings (the "**Civil Proceedings Judgments**") issued by the Huadu People's Court on 19 September 2014, pursuant to which, the Huadu People's Court made the following principal orders:

(i) order Yaji to pay to Yiying within 10 days from the date of the Civil Proceedings Judgments the outstanding management fees in the total sum of RMB2,616,000 (equivalent to HK$3,304,000) and the default payment until the day of actual repayment; and

(ii) dismiss the claims against EDS Wellness set out in the Writs of Civil Proceedings.

Pursuant to the Civil Proceedings Judgments, Yaji and Yiying might, within 15 days from receipt of the Civil Proceedings Judgments, lodge an appeal to the Intermediate People's Court of Guangzhou City, Guangdong Province of the People's Republic of China (the "**Intermediate People's Court**") against the Civil Proceedings Judgments and EDS Wellness might, within 30 days from receipt of the Civil Proceedings Judgments, lodge an appeal to the Intermediate People's Court against the Civil Proceedings Judgments.

On 3 December 2014, EDS Wellness was informed by its legal advisers that Yaji had filed appeals (the "**Appeals**") against the Civil Proceedings Judgments and the hearing for the Appeals was fixed on 11 December 2014. Yiying had not filed any appeals against the Civil Proceedings Judgments.

No provision for the outstanding management fees and utilities and miscellaneous fees was made in the consolidated financial statements of the Group for the year ended 31 December 2014 as the Appeals were dismissed by the Intermediate People's Court on 14 January 2015 according to the relevant judgments received by EDS Wellness's legal advisers in Mainland China.

Employees and remuneration policy

At 31 December 2014, the headcount of the Group was 75 (2013: 13). Staff costs (including directors' emoluments) amounted to HK$38,694,000 (2013: HK$18,384,000). In addition to basic salaries, provident fund and discretionary bonus, staff benefits include medical scheme and share options.

Events after the Reporting Period

Subsequent to 31 December 2014 and up to the date of annual report 2014, the Group had the following material events:

(a) On 23 January 2015, EDS Wellness received a writ of summons in High Court Action No. 200 of 2015 issued by Mr. Shum as plaintiff against EDS Wellness as defendant for the following claims:

    (i) the Judgment in High Court Action No. 1775 of 2012 dated 6 September 2013, pursuant to which the Court of First Instance of the High Court of Hong Kong adjudged that Mr. Shum (1) do pay EDS Wellness 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 Wellness the costs of the action including the costs of and occasioned by EDS Wellness' application for 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 Judgement being obtained against him;

(iii) an order for discovery upon oath of all matters relating to the 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.

(b) On 11 February 2015, the Group as purchaser entered into a conditional sale and purchase agreement with an independent third party as vendor in relation to the proposed acquisition of a 74.63% of the issued share capital of the company listed on the Growth Enterprise Market of the Stock Exchange. The proposed acquisition, if materialises, constitutes a very substantial acquisition of the Company under the Listing Rules and leads to a change in control of the company listed on the Growth Enterprise Market of the Stock Exchange and the Group is required to make a mandatory general offer under the Hong Kong Code on Takeovers and Mergers in cash for all the issued shares and relevant securities of the company listed on the Growth Enterprise Market of the Stock Exchange (other than those already owned or agreed to be acquired by the Group and parties acting in concert with it). The proposed acquisition requires an approval from the shareholders at a special general meeting of the Company. Such proposed acquisition was terminated by a termination agreement dated 19 May 2015.

(c) On 17 February 2015, EDS Wellness as issuer entered into the conditional subscription agreement with the Subscribers, which are independent third parties, as subscribers in relation to a proposed subscription of new ordinary shares and convertible preferred shares of EDS Wellness (the "**Subscription Shares**") by the Subscribers (the "**Proposed Subscription**"). Subject to satisfaction and/or waiver (as the case may be) of the terms and conditions set out in the conditional subscription agreement, the Subscribers, in aggregate, will hold more than 50% of the then voting rights in EDS Wellness. Pursuant to the conditional subscription agreement, one of the Subscribers who will subscribe for the largest portion of the Subscription Shares and who will own 42.86% of the ordinary shares of EDS Wellness in issue as enlarged by the allotment and issue of the Subscription Shares (assuming none of the convertible preferred shares of EDS Wellness to be subscribed by the Subscribers are converted) and 40.00% of the ordinary shares of EDS Wellness as enlarged by the allotment and issue of the Subscription Shares and upon conversion in full of the convertible preferred shares of EDS Wellness to be subscribed by the Subscribers, has undertaken to EDS Wellness that, following and subject to completion of the conditional subscription agreement, it will make an unconditional mandatory general offer (the "**Offer**") in compliance with the Hong Kong Code on Takeovers and Mergers in cash for all the ordinary shares of EDS Wellness (other than those already owned by or agreed to be acquired by it and parties acting in concert with it including a certain number of the ordinary shares of EDS Wellness held by the Company (which is considered a party acting in concert with the Subscribers as a result of certain non-disposal undertakings between it and the Subscribers) in respect of which the Company has undertaken not to accept the Offer). The Proposed Subscription, if materalises, constitutes a Subscription, if materialises, constitutes a deemed disposal and major transaction of the Company under the Listing Rules. On 5 March 2015, the Company and EDS Wellness have submitted a draft joint announcement relating to the Proposed Subscription and the Offer to the Securities and Futures Commission and the Stock Exchange for review and vetting. As at the date of this annual report, the draft joint announcement is being reviewed by the Securities and Futures Commission and the Stock Exchange and is pending their clearance for publication.

Major customers and suppliers

In 2014, the Group's largest customer and five largest customers accounted for 9.36% (2013: 22.20%) and 41.58% (2013: 69.23%) of its turnover respectively.

In 2014, the Group's largest supplier and five largest suppliers accounted for 57.54% (2013: Nil) and 82.22% (2013: Nil) of its purchases respectively.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

(ii) For the year ended 31 December 2013

Results of operations

During the year ended 31 December 2013, the Group recorded a revenue of HK$26,305,000, a 61.00% decrease from HK$67,442,000 for the previous year. The decrease in turnover was mainly attributable to the termination of management services agreement with Dore Entretenimento Sociedade Unipessoal Limitada ("**Dore**"), a licensed gaming promoter for Wynn Macau, on 12 September 2012. Of the total turnover, HK$24,101,000 was generated from money lending, HK$3,402,000 was generated from property investment, HK$512,000 was generated from provision of management services and a loss of HK$1,710,000 was generated from sale of financial assets. Profit for the year attributable to owners of the Company amounted to HK$97,238,000, a 52.86% decrease from HK$206,259,000 for the previous year. The decrease in profit was mainly attributable to the absence of the gain arising on change in fair value of the Group's investment properties (the "**Kwun Tong Properties**") located in Kwun Tong, Kowloon, Hong Kong of HK$168,000,000 recorded in the year ended 31 December 2012. The Kwun Tong Properties was disposed of in July 2013.

Investment and other income increased by 1,551.48% from HK$2,601,000 in the year ended 31 December 2012 to HK$42,955,000 in the current financial year. This increase was attributable to the dividend income of HK$36,479,000 received from China Star Entertainment Limited ("**China Star**", stock code: 326).

Other gains and losses represent items of income and expenses, which are material and/or extraordinary in nature. Major items of other gains and losses recorded by the Group during the year are as follows:

(a) in September 2013, the Group converted the entire principal amount of the bonus convertible notes, which were accounted for available-for-sale financial assets, into 607,980,676 new shares in China Star at an initial conversion price of HK$0.01 per share and recognised cumulative gains reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets of HK$4,849,000, which represents the difference between fair value at conversion of HK$82,949,000 and carrying amount of HK$86,333,000 (a loss of HK$3,384,000) and the recycling to profit or loss of HK$8,233,000 gain previously recognised in other comprehensive income. The Group disposed of 303,990,338 shares in China Star, which were accounted for available-for-sale financial assets, at an average selling price of HK$0.1358 per share and recognised another cumulative gains reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets of HK$2,230,000, which represents the difference between proceeds of HK$41,281,000 and carrying amount of HK$43,167,000 (a loss of HK$1,886,000) and the recycling to profit or loss of HK$4,116,000 gain previously recognised in other comprehensive income;

(b) the carrying amount of the conversion options embedded in convertible notes receivables was reassessed at the end of the reporting period with reference to the valuation performed by an independent professional valuer. Given that the adjusted conversion price of the 8% convertible notes receivable from China Star was further adjusted from HK$0.12 per share to HK$0.11 per share on 7 May 2013 and the share price of China Star was closed at HK$0.119 per share on 31 December 2013, a gain arising on change in fair value of conversion options embedded in convertible notes receivables of HK$29,836,000 was recognised;

(c) On 2 October 2013, the Group converted HK$125,000,000 of the 8% convertible notes receivable from China Star into 1,136,363,636 new shares in China Star at the adjusted conversion price of HK$0.11 per share and recognised a gain arising on change in fair value upon conversion of convertible notes receivables of HK$16,446,000;

(d) the convertible notes receivable from China Star and Koffman Corporate Service Limited ("**Koffman Corporate**"), a Hong Kong private company, generated imputed interest income of HK$38,233,000 to the Group. The imputed interest income decreased from HK$50,086,000 in the year ended 31 December 2012 to HK$38,233,000 in the year ended 31 December 2013, which was attributable to the conversion of HK$125,000,000 of the 8% convertible notes receivable from China Star into 1,136,363,636 new shares in China Star on 2 October 2013;

(e) the Group revalued its equity portfolio to market prices at the end of the reporting period and recognised a loss arising on change in fair value of financial assets at fair value through profit or loss of HK$5,307,000; and

(f) A reversal of impairment loss recognised in respect of interests in associates of HK$6,137,000 was recognised as the share price of China Media and Films Holdings Limited ("**China Media**", stock code: 8172), an associate company of the Group, surged from HK$0.295 per share on 31 December 2012 to HK$0.32 per share on 31 December 2013.

Administrative expenses (before depreciation) amounted to HK$49,927,000 for the year ended 31 December 2013, a 112.35% increase from HK$23,512,000 for the previous year. This increase was mainly attributable to the payment of commission relating to the disposal of Kwun Tong Properties of HK$5,860,000, a HK$5,951,000 increase in directors' emoluments and a loss on disposal of investment properties of HK$13,000,000. The loss on disposal of investment properties is discussed in details in "Operations Review" section below.

For the year ended 31 December 2013, China Media and its subsidiaries reported a consolidated loss of HK$12,829,000 and contributed a loss of HK$3,720,000 to the Group.

For the year ended 31 December 2013, Spark Concept Group Limited ("**Spark Concept**"), an associate company of the Group, and its subsidiaries reported a consolidated loss of HK$1,820,000. As the Group's share of post-acquisition losses equals to its interests in Spark Concept, no further share of loss was recognised.

Liquidity and financial resources

During the year, the Group funded its operations through a combination of cash generated from operations, equity attributable to owners of the Company and issue of new shares. Equity attributable to owners of the Company increased from HK$1,521,954,000 at 31 December 2012 to HK$1,825,372,000 at 31 December 2013.

At 31 December 2013, the cash and cash equivalents of the Group amounted to HK$662,153,000 (2012: HK$297,967,000).

At 31 December 2013, the Group had no borrowings (2012: Nil).

Net current assets and current ratio

At 31 December 2013, the Group's net current assets and current ratio were HK$1,146,744,000 (2012: HK$1,000,231,000) and 44.94 (2012: 13.61), respectively.

Capital structure

During the year, the capital structure of the Company had the following changes:

(a) on 24 January 2013, the Company allotted and issued 47,000,000 new shares at a price of HK$0.645 per share by way of placing of new shares under general mandate raising HK$29,931,000 (net of expenses) for acquiring investment property in Hong Kong in order to enrich the Group' s investment properties portfolio; and

(b) on 26 April 2013, the Company allotted and issued 152,224,414 new shares at a subscription price of HK$1.20 per share by way of open offer to the qualifying shareholders of the Company on the basis of one new share for every two existing shares held on 5 April 2013 raising HK$180,277,000 (net of expenses), of which HK$40,000,000 is intended to be used for financing the proposed subscription of the convertible notes to be issued by EDS Wellness Holdings Limited ("**EDS Wellness**", stock code: 8176 and formerly known as China AU Group Holdings Limited), HK$40,000,000 is intended to be used for financing the proposed granting of an unsecured loan to EDS Wellness and the remaining balance of HK$100,277,000 is intended to be used for financing the development and expansion of the Group's money lending business.

Material acquisitions

During the year, the Group had the following material acquisitions:

(a) in September 2013, the Group exercised the conversion rights attaching to the bonus convertible notes receivable from China Star to convert the entire principal amount of HK$6,079,806.76 into 607,980,676 new shares in China Star at an initial conversion price of HK$0.01 per share. The conversion of the bonus convertible notes was approved by the shareholders at the Company's special general meeting held on 28 June 2013; and

(b) on 2 October 2013, the Group exercised the conversion rights attaching to the 8% convertible notes receivable from China Star to convert the principal amount of HK$125,000,000 into 1,136,363,636 new shares in China Star at the adjusted conversion price of HK$0.11 per share. The conversion of the 8% convertible notes was approved by the shareholders at the Company's special general meeting held on 30 June 2011.

Material disposals

During the year, the Group had the following material disposals:

(a) on 4 July 2013, Rexdale Investment Limited ("**Rexdale**"), a wholly owned subsidiary of the Company, disposed of the Kwun Tong Properties at a consideration of HK$586,000,000 pursuant to the preliminary sale and purchase agreement dated 20 November 2012 (as amended by the supplemental agreement dated 4 July 2013) and entered into between Rexdale and Grand Reward Limited. The disposal was approved by the shareholders at the Company's special meeting held on 9 January 2013; and

(b) in September and October 2013, the Group disposed of 2,048,334,650 shares in China Star at an average price of HK$0.135 per share pursuant to the 12-month mandate granted to the directors by the shareholders at the Company's special general meeting held on 28 June 2013.

Pledge of assets

At 31 December 2013, no assets of the Group were pledged.

Material commitments

At 31 December 2013, the Group had a total commitment of HK$408,852,000 relating to:

(a) the subscription of the second tranche of convertible notes to be issued by China Star in the principal amount of HK$300,000,000 pursuant to the conditional subscription agreement dated 21 January 2011 (as amended by the supplemental agreements dated 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) the subscription of the convertible notes to be issued by EDS Wellness in the principal amount of HK$40,000,000 pursuant to the conditional subscription agreement dated 21 March 2013 (as amended by the letter of extension dated 30 October 2013). The subscription of the convertible notes is conditional upon the fulfillment of the conditions precedent set out in the conditional subscription agreement. On 30 October 2013, the completion date of subscription was extended from 31 October 2013 to 30 June 2014;

(c) the granting of an unsecured loan in the principal amount of HK$40,000,000 to EDS Wellness pursuant to the conditional loan agreement dated 21 March 2013 (as amended by the letter of extension dated 30 October 2013). The granting of the unsecured loan is conditional upon the fulfillment of the conditions precedent set out in the conditional loan agreement. On 30 October 2013, the completion date of granting of loan was extended from 31 October 2013 to 30 June 2014; and

(d) loans commitment in the aggregate principal amount of HK$28,852,000 pursuant to the building mortgages and the loan agreements entered into between the Group and its customers.

Exchange risk and hedging

During the year, all of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars. Accordingly, no financial instruments for hedging purposes have been used by the Group.

Contingent liabilities

At 31 December 2013, the Group had a claim brought by China Finance & Assets Management Limited ("**China Finance**") in High Court Action No. 526 of 2010 against Rexdale for failing to pay a service fee in the sum of HK$25,000,000 to China Finance. No provision for the claim was made in the consolidated financial statements of the Group for the year ended 31 December 2013 as Lafe Corporation Limited has undertaken to indemnify and keep indemnified the Group against any and all losses, claims, damages, penalties, actions, demands, proceeding, judgment and costs arising from or in connection with the claim.

Employees and remuneration policy

At 31 December 2013, the headcount of the Group was 13 (2012: 12). Staff costs (including directors' emoluments) amounted to HK$18,384,000 (2012: HK$10,656,000). In addition to basic salaries and other allowances, provident fund and discretionary bonus, staff benefits include medical scheme and share options.

Events after the reporting period

(a) On 4 March 2014, the Company allotted and issue 91,000,000 new shares at a price of HK$0.78 per share by way of placing of new shares under general mandate raising HK$70,140,000 (net of expenses) for financing the Group's money lending business.

(b) On 20 March 2014, the Board announced that it came to the attention of the Company that a writ (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 Limited ("**One Synergy**"), a wholly owned subsidiary of the Company. One Synergy has, as at the date of the annual report, 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 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.

Major customers and suppliers

In 2013, the Group's largest customer and five largest customers accounted for 22.20% (2012: 74.01%) and 69.23% (2012: 83.72%) of its turnover respectively.

In 2013, there was no supplier to the Group.

At no time during the year did a director, an associate (as defined in the Listing Rules) of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers.

(iii) For the year ended 31 December 2012

Results of operations

The Group recorded a turnover of HK$67,442,000 for the year ended 31 December 2012, a 14.82% decrease from HK$79,174,000 for the previous year. Of the total turnover amount, HK$51,078,000 or 75.74% was generated from provision of management services, HK$9,785,000 or 14.51% was generated from money lending, and HK$5,930,000 or 8.79% was generated from property investment and HK$649,000 or 0.96% or was generated from sale of financial assets. Profit attributable to owners of the Company for the year ended 31 December 2012 amounted to HK$206,259,000, whereas the Group recorded a loss of HK$155,255,000 for the previous year. The turnaround on the Group's performance was mainly attributable to a HK$252,523,000 decrease in impairment loss recognised in respect of intangible assets and a HK$167,180,000 increase in gain arising on change in fair value of investment properties.

Investment and other income decreased by 83.12% from HK$15,411,000 in the year ended 31 December 2011 to HK$2,601,000 in the year ended 31 December 2012. This decrease was attributable to the decrease in interest income on bank deposits and the absence of special dividend income from China Star Entertainment Limited ("**China Star**", stock code: 326).

Other gains and losses represent items of income and expense, which are material and/or extraordinary in nature. Major items of other gains and losses recorded during the year are as follows:

(a) the directors reassessed the fair value of investment properties held by the Group at the end of the reporting period with reference to the property valuations performed by the independent professional valuers and, in light of the recent increase in property prices in Hong Kong, a gain arising on change in fair value of investment properties of HK$168,592,000 was recognised;

(b) in the second half of 2011, the Group subscribed for the first tranche of convertible notes of HK$350,000,000 issued by China Star and the convertible notes of HK$75,000,000 issued by Culture Landmark Investment Limited ("**Culture Landmark**", stock code: 674) at their face value. In March 2012, the Group subscribed for a convertible note of HK$27,000,000 issued by Koffman Corporate Service Limited ("**Koffman**"), a Hong Kong private company, at its face value. Accordingly, the Group recognised an imputed interest income on convertible notes receivables of HK$50,086,000;

(c) on 3 August 2012, the Group acquired 29.00% interest in the issued share capital of China Media and Films Holdings Limited ("**China Media**", stock code: 8172) at a consideration of HK$51,324,000. At the end of the reporting period, the directors performed an impairment test for the Group's investment in China Media with reference to the market value of shares in China Media on 31 December 2012 and recognised an impairment loss in respect of an associate of HK$6,137,000;

(d) at the end of the reporting period, the directors also performed impairment tests for the carrying amounts of management services agreements held by the Group with reference to the valuations performed by the independent professional valuer and, in light of the management services agreement with Dore Entretenimentto Sociedade Unipessoal Limitada ("**Dore**"), a licensed gaming promoter for Wynn Macau, terminated on 12 September 2012, an impairment loss on intangible assets of HK$37,835,000 was recognised. In addition, an impairment loss on intangible assets of HK$383,000 was also recognised for the remaining management services agreement held by the Group in light of a keen competition in Macau VIP gaming sector;

(e) the Group revalued its equity portfolio at market prices at the end of the reporting period and recognised a loss arising on change in fair value of financial assets at fair value through profit or loss of HK$5,169,000; and

(f) a wholly owned subsidiary of Spark Concept Group Limited ("**Spark Concept**", together with its subsidiaries, the "**Spark Concept Group**"), an associate company of the Company engaged in catering and trading, owed the Group an amount of HK$7,393,000 at 31 December 2012. In view of the net liabilities position of that subsidiary of Spark Concept, an impairment loss of HK$3,865,000 was recognised against the amount due from an associate.

Administrative expenses (before amortisation and depreciation) amounted to HK$23,512,000 for the year ended 31 December 2012, a 9.31% increase from HK$21,510,000 for the previous year. This increase was mainly attributable to the increase in directors' salaries and allowances, which was partly offset by the decrease in legal and professional fees.

During the period from 3 August 2012, being the date on which China Media became an associate company of the Company, to 31 December 2012, China Media and its subsidiaries reported a consolidated loss of HK$6,647,000 and contributed a loss of HK$1,928,000 to the Group.

For the year ended 31 December 2012, the Spark Concept Group reported a consolidated loss of HK$3,229,000. As the Group's share of post-acquisition losses equals to its interests in Spark Concept, the Group did not further recognise any shares of losses.

Liquidity and financial resources

During the year, the Group funded its operations through a combination of cash generated from operations, equity attributable to owners of the Company and issue of new shares. Equity attributable to owners of the Company increased from HK$1,237,636,000 at 31 December 2011 to HK$1,521,954,000 at 31 December 2012.

At 31 December 2012, the cash and cash equivalents of the Group amounted to HK$297,967,000 (2011: HK$217,632,000).

At 31 December 2012, the Group had no borrowings (2011: Nil).

Net current assets and current ratio

At 31 December 2012, the Group's net current assets and current ratio were HK$1,000,231,000 (2011: HK$408,063,000) and 13.61 (2011: 22.60), respectively.

Capital structure

During the year, the capital structure of the Company had the following changes:

(a) on 9 May 2012, the capital of the Company was reorganised involving (i) every 40 existing shares of HK$0.01 each in the issued share capital of the Company be consolidated into one share of HK$0.40 (the "**Consolidated Share**") (the "**Share Consolidation**"); (ii) the total number of the Consolidated Shares in the issued share capital of the Company be rounded down to a whole number by cancelling the fractional Consolidated Share arising from the Share Consolidation; (iii) the paid-up capital of each Consolidated Share be reduced from HK$0.40 to HK$0.01 by cancelling HK$0.39 (together with (ii) above are hereinafter referred to as the "**Capital Reduction**") so as to form a new share of HK$0.01; and (iv) the amount of credit arising in the accounts of the Company from the Capital Reduction be credited to the contributed surplus account of the Company;

(b) on 18 May 2012, the Company issued 39,670,000 new shares at a price of HK$0.32 per share by way of placing of new shares under specific mandate raising HK$12,338,000 (net of expenses) for financing possible property investment project of the Group and/or enhancing the Group' s fixed income portfolio by subscribing high-yield convertible notes;

(c) on 20 December 2012, the Company issued 7,120,000 new shares at a price of HK$0.345 per share pursuant to the exercise of share options under the Company's share option scheme; and

(d) on 28 December 2012, the Company issued 12,300,000 new shares at a price of HK$0.345 per share pursuant to the exercise of share options under the Company's share option scheme.

Material acquisitions

During the year, the Group had the following material acquisitions:

(a) on 5 January 2012, the Group acquired the entire issued shares in and the sale loan due by Hong Kong Builders Finance Limited ("**Hong Kong Builders**") from Koffman Financial Group Limited at a consideration of HK$33,069,172. Hong Kong Builders is carrying on money lending business in Hong Kong;

(b) on 22 March 2012, the Group subscribed for the convertible note in the principal amount of HK$27,000,000 issued by Koffman. The convertible note is unsecured, non-interest bearing and maturing on 21 March 2015. Provided that the convertible note has not been redeemed, the whole convertible note shall automatically be converted into shares in Koffman upon the success of initial public offering of Koffman's shares at the price of initial public offering. Any amount of the convertible note which remains outstanding on the maturity date shall be redeemed by Koffman at its then outstanding principal amount plus a premium calculated at 20% of the then outstanding principal amount;

(c) on 3 August 2012, the Group acquired 146,640,000 shares in China Media, representing 29.00% of the issued share capital of China Media, from Culture Landmark at a consideration of HK$51,324,000

(d) on 22 August 2012, the Group acquired two three-storey New Territories Small Houses located in Ma Yau Tong, Sai Kung, New Territories, Hong Kong at a total consideration of HK$21,438,000. These two three-storey New Territories Small Houses are held by the Group as long-term investments for rental purposes; and

(e) on 27 November 2012, the Group exercised the subscription rights attaching to the listed bonus warrants (warrant code: 1056) issued by China Star in the principal amount of HK$7,450,000 to subscribe for 35,990,338 new shares in China Star at an adjusted subscription price of HK$0.207 per share. The cash consideration for the subscription amounted to HK$7,450,000.

Material disposals

During the year, the Group had the following material disposals:

(a) on 27 April 2012, the Group disposed of its residential property located in Tseung Kwan O, New Territories, Hong Kong at a consideration of HK$7,950,000;

(b) on 28 May 2012, Culture Landmark early redeemed HK$23,000,000 of the convertible notes of HK$75,000,000 held by the Group at par;

(c) On 3 August 2012, Culture Landmark early redeemed the remaining balance of the convertible notes of HK$52,000,000 held by the Group at par; and

(d) on 20 November 2012, the Group as vendor entered into a preliminary sale and purchase agreement with Grand Reward Limited as purchaser relating to the sale and purchase of the whole of 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 (the "**Kwun Tong Property**") at a consideration of HK$586,000,000. The proposed disposal of the Kwun Tong Property was approved by the shareholders on 9 January 2013 and has not been completed as at the date of this annual report.

Pledge of assets

At 31 December 2012, no assets of the Group were pledged.

Commitments

At 31 December 2012, the Group had total commitments of HK$309,000,000 relating to:

(a) the subscription of the second tranche of convertible notes to be issued by China Star in the aggregate principal amount of HK$300,000,000 pursuant to the conditional subscription agreement dated 21 January 2011. 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, among other things, 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; and

(b) six building mortgages in the aggregate principal amount of HK$9,000,000 to be made to six individuals pursuant to six building mortgages entered into between Hong Kong Builders and the six individuals in February 2012.

Exchange risk and hedging

During the year, the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong Dollars. Accordingly, no financial instruments for hedging purposes have been used by the Group.

Contingent liabilities

At 31 December 2012, the Group had a material contingent liability relating to a claim brought by China Finance & Assets Management Limited ("**China Finance**") in the High Court Action No. 526 of 2010 against Rexdale Investment Limited, 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 brought by China Finance was made in the consolidated financial statements of the Group for the year ended 31 December 2012 as Lafe Corporation Limited has undertaken to indemnify and keep indemnified the Group against any all losses, claims, damages, penalties, actions, demands, proceedings, judgment and costs arising from or in connection with the claim.

Employees and remuneration policy

At 31 December 2012, the headcount of the Group was 13 (2011:12). Staff costs (including directors' remuneration) for the year ended 31 December 2012 amounted to HK$10,656,000 (2011: HK$5,517,000). In addition to basic salaries, provident fund and discretionary bonus, staff benefits include medical scheme and share options.

Events after the reporting period

Subsequent to 31 December 2012 and up to the date of annual report 2012, the Group had the following material events:

(a) on 24 January 2013, the Company issued 47,000,000 new shares at a price of HK$0.645 per share by way of placing of new shares under general mandate raising HK$29,860,000 (net of expenses) for property investment in Hong Kong in order to enrich the Group' s investment properties portfolio. Please refer to the Company's announcement dated 14 January 2013 for more details;

(b) on 18 February 2013, the Company proposed to seek approvals from its shareholders for (i) exercising the conversion rights attaching to the bonus convertible notes issued by China Star in the aggregate principal amount of HK$6,079,806.76 to convert their principal amount into 607,980,676 new shares in China Star and (ii) granting a mandate to the Company for disposing of the 303,990,338 shares in China Star that already held by the Group and the 3,524,647,342 new shares in China Star to be allotted and issued to the Group pursuant to the exercise of the conversion rights attaching to the bonus convertible notes and the convertible notes issued by China Star in the aggregate principal amount of HK$350,000,000. Please refer to the Company's announcement dated 18 February 2013 for more details;

(c) on 8 March 2013, the Group entered into a loan agreement with an individual. Pursuant to the loan agreement, the Group has conditionally agreed to grant an unsecured loan in the principal amount of HK$80,000,000 to the individual. The loan is unsecured, interest bearing at 8% per annum and maturing on the date falling on the second anniversary from the date of drawdown. Please refer to the Company's announcement dated 8 March 2013 for more details.

(d) on 13 March 2013, the Board announced the proposed issue of not less than 152,224,414 new shares and not more than 152,432,572 new shares of the Company by way of open offer to the qualifying shareholders for subscription at a price of HK$1.20 per share on the basis of one new share for every two existing shares held on 5 April 2013. The net proceeds from the open offer are estimated to be not less than HK$180,020,000 but not more than HK$180,270,000 and intended to be used for financing the expansion of the loan portfolio of the Group's money lending business and/or the potential subscription of the convertible bonds to be issued by a company listed on the Growth Enterprise Market of the Stock Exchange. Please refer to the Company's announcement dated 13 March 2013 for more details; and

(e) on 21 March 2013, the Group entered into a subscription agreement with China AU Group Holdings Limited ("**China AU**", stock code: 8176). Subject to the fulfillment of the conditions set out in the subscription agreement, the Group has agreed to subscribe for the convertible notes in the principal amount of HK$40,000,000 to be issued by China AU at their face value. The convertible notes are unsecured, non-interest bearing and maturing on the date falling on the 30 months from the date of their issue. The convertible notes carry rights entitling the holders thereof to convert their principal amount into new shares in China AU at an initial conversion price of HK$1.00 per share at any time prior to the maturity date. On the same date, the Group also entered into a loan agreement with China AU. Pursuant to the loan agreement, the Group has conditionally agreed to grant an unsecured loan in the principal amount of HK$40,000,000 to China AU. The loan is unsecured, interest bearing at 5% per annum and maturing on the date falling on the third anniversary from the date of drawdown. Please refer to the Company's announcement dated 21 March 2013 for more details.

Major customers and suppliers

In 2012, the Group's largest customer and five largest customers accounted for 74.01% (2011: 93.14%) and 83.72% (2011: 99.95%) of its turnover respectively.

In 2012, there was no supplier to the Group.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers.

The following is the text of a report on the Target Group received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in the circular.

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

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

31 August 2015

The Directors
Eternity Investment Limited
Unit 3811, Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") of Smart Title Limited (the "**Target Company**") and its subsidiaries (hereinafter collectively referred to as the "**Target Group**") for each of the years ended 31 December 2012, 2013 and 2014 and the period from 1 January 2015 to 30 April 2015 (the "**Relevant Periods**"), for inclusion in the circular issued by Eternity Investment Limited (the "**Company**") dated 31 August 2015 (the "**Circular**") in connection with the Company's acquisition of the entire shareholding interest of the Target Company and shareholder's loan due from the Target Company.

The Target Company is a company incorporated in the British Virgin Islands ("**BVI**") with limited liability on 9 August 2010. The principal business activity of the Target Company is investment holding. Pursuant to a group reorganisation as described in note 1(b) of Section B headed "Reorganisation" below, which was completed on 27 September 2014, the Target Company becomes the holding company of the subsidiaries now comprising the Target Group (the "**Reorganisation**").

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in note 32 of Section B below. All companies comprising the Target Group have adopted 31 December as their financial year end date.

No audited financial statements have been prepared by the Target Company since its date of incorporation as it was incorporated in the BVI where there is no statutory audit requirement. The statutory audited financial statements of the other companies comprising the Target Group for the Relevant Periods for which there is a statutory audit requirement have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in note 32 of Section B below.

For the purpose of this report, the directors of the Target Company have prepared the consolidated financial statements of the Target Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (the "**Underlying Financial Statements**"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing ("**HKSA**") issued by the HKICPA.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Target Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 of Section B below. No adjustments were considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of the Target Company who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Group as at 31 December 2012, 2013, 2014 and 30 April 2015 and of the results and cash flows of the Target Group for the Relevant Periods.

Without qualifying our opinion, we draw attention to note 2 of Section B below, which indicates that the Target Group incurred a net loss of approximately HK$3,548,000 during the four months ended 30 April 2015 and, as of that date, the Target Group's total liabilities exceeded its total assets by approximately HK$872,649,000. These conditions, along with other matters as set forth in note 2 of Section B below, indicate the existence of a material uncertainty that may cast significant doubt about the Target Group's ability to continue as a going concern.

The comparative consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Target Group for the period from 1 January 2014 to 30 April 2014 together with the notes thereon (the "**Comparative Financial Information**") which was prepared by the directors of the Target Company solely for the purpose of this report. We conducted our review on the Comparative Financial Information in accordance with the Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" issued by the HKICPA. Our review of the Comparative Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION OF THE TARGET GROUP

Consolidated statements of profit or loss

		Year ended 31 December			Four months ended 30 April	
		2012	**2013**	**2014**	**2014**	**2015**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Turnover	*7*	167,729	140,259	111,262	31,004	26,279
Cost of sales		(58,964)	(87,122)	(62,122)	(14,164)	(14,336)
Gross profit		108,765	53,137	49,140	16,840	11,943
Other income and other gains/ (losses), net	*8*	533	4,940	2,294	(590)	424
Administrative expenses		(39,869)	(52,365)	(48,429)	(13,739)	(17,083)
Profit/(loss) before taxation	*9*	69,429	5,712	3,005	2,511	(4,716)
Taxation	*10*	(17,812)	(1,631)	1,821	1,773	1,168
Profit/(loss) for the year/period		51,617	4,081	4,826	4,284	(3,548)
Attributable to:						
Owner of the Target Company		51,617	4,081	4,826	4,284	(3,548)

The accompanying notes form an integral part of the Financial Information of the Target Group.

Consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit/(loss) for the year/period	51,617	4,081	4,826	4,284	(3,548)
Other comprehensive (loss)/income:					
Items that may be subsequently reclassified to profit or loss:					
– Currency translation differences	(4,739)	(504)	(5,556)	438	3,396
Other comprehensive (loss)/income for the year/period, net of tax	(4,739)	(504)	(5,556)	438	3,396
Total comprehensive income/(loss) for the year/period	46,878	3,577	(730)	4,722	(152)
Attributable to:					
Owner of the Target Company	46,878	3,577	(730)	4,722	(152)

The accompanying notes form an integral part of the Financial Information of the Target Group.

Consolidated statements of financial position

					At
		At 31 December			30 April
		2012	2013	2014	2015
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*14*	270,683	305,742	366,903	374,965
Intangible asset	*15*	110	71	86	65
Deferred tax assets	*24*	254	2,479	2,680	3,129
Prepayments	*17*	25,185	16,533	14,050	12,361
		296,232	324,825	383,719	390,520
Current assets					
Inventories	*16*	14,355	10,823	9,599	8,819
Prepayments, deposits and other receivables	*17*	19,872	31,069	50,238	58,601
Amounts due from related companies	*18*	122,557	138,293	–	–
Cash and cash equivalents	*19*	23,442	13,792	80,989	67,173
		180,226	193,977	140,826	134,593
Current liabilities					
Trade payables	*20*	3,878	2,499	1,641	1,751
Receipt in advance, other payables and accrued liabilities	*21*	117,013	122,091	119,914	122,238
Deferred revenue	*22*	45,294	38,577	31,746	32,038
Amounts due to related companies	*23*	14,506	45,063	1,076,218	1,076,218
Tax liabilities		72,854	77,410	75,786	73,827
		253,545	285,640	1,305,305	1,306,072
Net current liabilities		(73,319)	(91,663)	(1,164,479)	(1,171,479)
Total assets less current liabilities		222,913	233,162	(780,760)	(780,959)

					At
		At 31 December			30 April
		2012	**2013**	**2014**	**2015**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities					
Deferred revenue	*22*	95,940	92,715	77,401	74,562
Deferred tax liabilities	*24*	–	3,813	3,616	4,612
Other payables	*21*	1,014	7,098	10,720	12,516
		96,954	103,626	91,737	91,690
Net assets/(liabilities)		125,959	129,536	(872,497)	(872,649)
Equity					
Capital and reserves attributable to owner of the Target Company					
Share capital	*25*	–	–	–	–
Reserves		125,959	129,536	(872,497)	(872,649)
Total equity		125,959	129,536	(872,497)	(872,649)

The accompanying notes form an integral part of the Financial Information of the Target Group.

Consolidated statements of changes in equity

	Share capital	Statutory reserve	Other reserve	Exchange reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	–	49,089	–	1,599	29,036	79,724
Other comprehensive loss:						
– Currency translation differences	–	–	–	(4,739)	–	(4,739)
Profit for the year	–	–	–	–	51,617	51,617
Total comprehensive income for the year	–	–	–	(4,739)	51,617	46,878
Reorganisation *(note 1(b))*	–	–	(643)	–	–	(643)
At 31 December 2012 and 1 January 2013	–	49,089	(643)	(3,140)	80,653	125,959
Other comprehensive loss:						
– Currency translation differences	–	–	–	(504)	–	(504)
Profit for the year	–	–	–	–	4,081	4,081
Total comprehensive income for the year	–	–	–	(504)	4,081	3,577
At 31 December 2013 and 1 January 2014	–	49,089	(643)	(3,644)	84,734	129,536
Other comprehensive loss:						
– Currency translation differences	–	–	–	(5,556)	–	(5,556)
Profit for the year	–	–	–	–	4,826	4,826
Total comprehensive loss for the year	–	–	–	(5,556)	4,826	(730)
Deemed capital contribution from shareholders of the Target Company	–	–	1,369	–	–	1,369
Reorganisation *(note 1(b))*	–	–	(1,002,672)	–	–	(1,002,672)

	Share capital	Statutory reserve	Other reserve	Exchange reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2014 and 1 January 2015	–	49,089	(1,001,946)	(9,200)	89,560	(872,497)
Other comprehensive income:						
– Currency translation differences	–	–	–	3,396	–	3,396
Loss for the period	–	–	–	–	(3,548)	(3,548)
Total comprehensive loss for the period	–	–	–	3,396	(3,548)	(152)
At 30 April 2015	–	49,089	(1,001,946)	(5,804)	86,012	(872,649)
For four months ended 30 April 2014 (unaudited)						
At 1 January 2014	–	49,089	(643)	(3,644)	84,734	129,536
Other comprehensive income:						
– Currency translation differences	–	–	–	438	–	438
Profit for the period	–	–	–	–	4,284	4,284
Total comprehensive income for the period	–	–	–	438	4,284	4,722
At 30 April 2014	–	49,089	(643)	(3,206)	89,018	134,258

Consolidated statements of cash flows

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Cash flows from operating activities					
Profit/(loss) before taxation	69,429	5,712	3,005	2,511	(4,716)
Adjustments for:					
– Depreciation of property, plant and equipment	17,609	16,697	16,367	5,657	4,680
– Amortisation of intangible asset	13	42	46	14	21
– Amortisation of deferred membership entrance fee	(63,274)	(54,992)	(49,208)	(15,663)	(11,640)
– (Gain)/loss on disposal of property, plant and equipment	(39)	51	2	–	–
– Interest income	(49)	(45)	(2,330)	(12)	(347)
– Capitalisation of operating lease rentals	–	(4,098)	(10,209)	(3,380)	(3,403)
Operating cash flows before movements in working capital	23,689	(36,633)	(42,327)	(10,873)	(15,405)
(Increase)/decrease in inventories	(3,190)	3,430	1,224	419	780
(Increase)/decrease in prepayments, deposits and other receivables	(15,543)	(2,654)	(16,685)	1,579	(6,674)
(Decrease)/increase in trade payables	(1,553)	(1,405)	(858)	(1,230)	110
(Decrease)/increase in received in advance, other payables and accrued liabilities	(25,910)	10,076	1,430	(19,593)	4,120
Increase in amounts due from/to related companies	3,194	13,718	163,747	289,398	–
Cash inflow from membership entrance fee and rental income	29,875	40,849	27,466	1,435	9,085
Cash generated from/(used in) operations	10,562	27,381	133,997	261,135	(7,984)
Income tax (paid)/refunded	(197)	2,170	–	–	–
Net cash generated from/(used in) operating activities	10,365	29,551	133,997	261,135	(7,984)

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Cash flows from investing activities					
Interest received	49	45	2,330	12	347
Purchases of property, plant and equipment	(381)	(39,394)	(68,606)	(6,975)	(9,313)
Purchases of intangible assets	(123)	–	(61)	–	–
Disposal of property, plant and equipment	442	–	–	–	–
Net cash used in investing activities	(13)	(39,349)	(66,337)	(6,963)	(8,966)
Net increase/(decrease) in cash and cash equivalents	10,352	(9,798)	67,660	254,172	(16,950)
Cash and cash equivalents at the beginning of year/period	12,932	23,442	13,792	13,792	80,989
Effect of foreign exchange rate changes	158	148	(463)	(1,429)	3,134
Cash and cash equivalents at the end of year/period	23,442	13,792	80,989	266,535	67,173
Analysis of the balances of cash and cash equivalents					
Cash and cash equivalents	23,442	13,792	80,989	266,535	67,173

B. NOTES TO FINANCIAL INFORMATION

1. General information and reorganisation

(a) General information

The Target Company is a company incorporated in the BVI with limited liability on 9 August 2010. The address of the Target Company's registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI.

Its immediate holding is Unique Talent Group Limited ("**Unique Talent**"), which is incorporated in the BVI with limited liability and its ultimate holding company is China Jiuhao Health Industry Corporation Limited ("**Jiuhao Health**"), a company incorporated in the Cayman Islands with limited liability and its shares listed on The Stock Exchange of Hong Kong Limited.

The principal activity of the Target Company is investment holding and the principal activities of its subsidiaries are set out in note 32.

The Financial Information is presented in thousands of units of Hong Kong Dollars (HK$'000), which is the same as the functional currency of the Target Company, unless otherwise stated.

(b) Reorganisation

The Target Group underwent the Reorganisation which was completed on 27 September 2014, pursuant to which Yuan Shun Investments Limited ("**Yuan Shun**") under common control of Unique Talent was transferred to the Target Company.

On 22 October 2012, Unique Talent acquired 100% equity interest in Yuan Shun and its subsidiaries from Smart Concept Enterprise Limited, a wholly owned company of Mr. Yuen Hoi Po, the chairman and a substantial shareholder of Jiuhao Health, for a total consideration of approximately HK$1,003,321,000.

Upon completion of the Reorganisation, the investment cost of Unique Talent in Yuan Shun of approximately HK$1,003,321,000 has been assigned to the Target Company resulting an amount due from the Target Company to Unique Talent. The Target Company would become the holding company of the companies comprising the Target Group, details of which are set out in note 32 below.

2. Basis of presentation

For the purposes of this report, the Financial Information has been prepared and presented on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by HKICPA. The consolidated statements of financial position, the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for the Relevant Periods have been prepared using the financial information of the companies comprising the Target Group on the basis that the current group structure had been in existence throughout the Relevant Periods or since the respective dates of incorporation/establishment/acquisition by the Target Group, whichever is shorter. The assets, liabilities and results of the Target Group have been combined using their existing book values.

All significant intra-group transactions and balances, if any, have been eliminated on combination.

During the four months ended 30 April 2015, the Target Group incurred a net loss of approximately HK$3,548,000 and, as of that date, the Target Group's total liabilities exceeded its total assets by approximately HK$872,649,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Target Group's ability to continue as a going concern and, therefore, the Target Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors of the Target Company are of the opinion that the Target Group will be able to finance its future working capital and financial requirements. Based on the working capital forecast for the next twelve months from the date of this report, the directors of the Target Company have a reasonable expectation that the Target Group will be able to generate sufficient funds from its business to continue in operational existence for the foreseeable future based on the assessment of the business liquidity and cash flow requirements for the next twelve months. The ultimate holding company of the Target Company has further confirmed to provide continuing financial support to the Target Group to enable it to continue as a going concern and to settle its liabilities as and when they fall due for the foreseeable future. Accordingly, the Financial Information has been prepared on a going concern basis. Should the Target Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the Financial Information.

3. Application of Hong Kong Financial Reporting Standards ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has applied the HKFRSs, amendments and interpretations issued by the HKICPA, which are effective for the annual period beginning on or before 1 January 2015 consistently throughout the Relevant Periods.

At the date of this report, the Target Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKAS 1 (Amendments)	Disclosure Initiative[1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortistion[1]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle[1]
HKFRS 9	Financial Instruments[3]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[1]
HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 January 2018

The directors of the Target Company have commenced an assessment of the impact of these new, amended and revised HKFRSs but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of this Financial Information are set out below. These policies have been consistently applied to the Relevant Periods, unless otherwise stated.

(a) Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs which is a collective term that includes all applicable individual HKFRSs, HKAS and interpretations issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Financial Information have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Target Group's accounting policies.

The Target Group's books and record are maintained in Hong Kong Dollars ("**HK$**") as the directors of the Target Company controls and monitor the performance and financial position of the Target Group in HK$.

(b) Combination

Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Target Group has control. The Target Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Target Group.

The Target Group uses the business combination under common control, details of the business combination under common control during the Relevant Periods have been disclosed as below.

Business combinations under common control

The Target Group applies the predecessor values accounting to account for business combination of entities or businesses under common control. The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs on the basis that they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognised directly in equity as part of the capital reserve.

The combined statements of profit or loss and the combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented on the basis that the entities or businesses had been combined at the earliest reporting date presented or when they first came under common control, whichever is the later.

Inter-company transactions, balances and unrealised gains on transactions between the combining entities or businesses are eliminated. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Target Group's activities. Revenue is shown net of value-added tax, rebates and discounts and after eliminating sales within the Target Group.

The Target Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Target Group's activities as described below.

Food and beverage income and club activities income are accounted for when the services are rendered. Members' annual fees are recognised on a straight-line basis over the subscription period. Membership entrance fees represent non-refundable upfront registration fee for lifetime entitlement by members for using the golf facilities and enjoying certain privileges in other facilities in the club and are recognised on a reducing balance method for which the membership is granted and the reducing rate is based upon historical usage pattern of existing members. The portion of membership entrance fees which relates to services not yet rendered as at year end is included in the financial information as deferred revenue.

Interest income from financial asset is recognised when it is probable that the economic benefits will flow to the Target Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the excepted life of the financial asset to that asset's net carrying amount on initial recognition.

(d) Impairment of tangible and intangible assets other than goodwill

At the end of each Relevant Periods, the Target Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

(e) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the Relevant Periods.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group and the Target Company expect, at the end of the Relevant Periods, to recover or settle the carrying amount of their assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(f) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and impairment losses, if any.

Depreciation is recognised so as to write off the cost of items or property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each Relevant Periods, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Golf courses	30 years
Buildings	20-30 years
Leasehold improvements	5 years
Furniture, computer and equipment	3-5 years
Machinery and equipment	5-10 years
Motor vehicles	4-5 years

Construction in progress is stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the construction and consultancy fee.

No depreciation is provided on construction in progress since they are not ready for use. On completion, the costs are transferred to the appropriate property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(g) Intangible asset

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(i) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including deposits and other receivables, amounts due from related companies and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the Relevant Periods. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Target Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including trade payables, other payables and accrued liabilities and amounts due to related companies) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Target Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(j) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that the Target Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

(k) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks.

(l) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Target Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(m) Employee benefits

Retirement benefits scheme

The Target Company's subsidiaries in the People's Republic of China (the "**PRC**") except Hong Kong are members of the state-managed retirement benefits scheme operated by the government of the PRC except Hong Kong. The retirement scheme contributions, which are based on a certain percentage of the salaries of the subsidiaries' employees, are charged to the consolidated statement of profit or loss in the period to which they relate and represent the amount of contributions payable by these subsidiaries to the scheme.

The Target Group has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

(n) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the Relevant Periods, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit and loss in the period in which they arise except for:

- exchange differences arising on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary item receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the Financial Information, the assets and liabilities of the Target Group's foreign operations are translated into the presentation currency of the Target Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each Relevant Periods. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Target Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owner of the Target Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Target Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Target Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each Relevant Periods. Exchange differences arising are recognised in other comprehensive income.

(o) Related party transactions

(i) A person, or a close member of that person's family, is related to the Target Group if that person:

(1) has control or joint control over the Target Group; or

(2) has significant influence over the Target Group; or

(3) is a member of the key management personnel of the Target Group or the Target Group's parent.

(ii) An entity is related to the Target Group if any of the following conditions applies:

(1) the entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or

(2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or

(3) both entities are joint ventures of the same third party; or

(4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; or

(5) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group; or

(6) the entity is controlled or jointly controlled by a person identified in (i); or

(7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(p) Provisions

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Target Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

(a) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Target Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the assets are acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Target Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(b) Income taxes

The Target Group recognises income tax liabilities based on estimates of anticipated amounts of taxes that will be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(c) Membership entrance fees

Membership entrance fees represents non-refundable upfront registration fee for lifetime entitlement by members for using the Bayhood No. 9 Club facilities and enjoying certain privileges in other facilities in the club and are recognised on a reducing balance method which is based upon historical usage pattern of the members. The portion of membership entrance fees which relates to services not yet rendered as at the end of the reporting period is included in the financial information as deferred revenue.

6. Operating segments

The directors of the Target Company considers that the provision of recreational and wellness services through the management of Beijing Bayhood No. 9 Club, a membership-based luxury club is the sole reportable operating segment which is the basis to assess performance and allocate resources. No geographical information is presented as the Target Group's customers and operations are located in the PRC.

Information about major customers

No single customer of the Target Group contributed 10% or more to the Target Group's revenue during the Relevant Periods.

7. Turnover

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Food and beverage income	44,351	23,242	14,367	3,820	2,288
Souvenir shop income	4,782	972	879	63	271
Club activities income	48,428	52,381	40,159	8,109	8,902
Membership entrance fee income	54,892	46,403	40,808	12,047	9,641
Members' annual fee income	5,530	5,758	4,802	2,806	2,781
Others	9,746	11,503	10,247	4,159	2,396
	167,729	140,259	111,262	31,004	26,279

8. Other income and other gains/(losses), net

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Interest income	49	45	2,330	12	347
Exchange (loss)/gain	(55)	4,644	(196)	(681)	5
Miscellaneous	539	251	160	79	72
	533	4,940	2,294	(590)	424

9. Profit/(loss) before taxation

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Auditors' remuneration	35	30	30	62	90
Depreciation of property, plant and equipment	17,609	16,697	16,367	5,657	4,680
Amortisation of intangible asset	13	42	46	14	21
Operating lease rental – operating rights *(Note)*	(18,910)	18,767	16,226	5,309	5,441
Less: Capitalisation of operating lease capitalised rental	–	(4,098)	(10,209)	(3,380)	(3,403)
	(18,910)	14,669	6,017	1,929	2,038
Staff costs including directors' emoluments					
– salaries and other allowances	38,732	46,738	37,577	9,375	9,936
– contributions to retirement benefits scheme	6,355	6,145	6,009	1,965	1,734
	45,087	52,883	43,586	11,340	11,670

Note:

In 2012, a new agreement has been entered whereby the annual fee of Bayhood No. 9 Business Hotel was revised to RMB4 million per annum (the term for 5% fees increment every 5 years remain unchanged). Approximately HK$24,858,000 gain has been recognised as a result of the derecognition of the previously recorded liabilities.

10. Taxation

Income tax expense recognised in the consolidated statements of profit or loss:

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Current income tax					
Hong Kong Profits Tax	–	–	–	–	–
PRC Corporate Income Tax	11,851	1	(663)	472	(1,792)
Deferred income tax	5,961	1,630	(1,158)	(2,245)	624
Income tax expense/(credit)	17,812	1,631	(1,821)	(1,773)	(1,168)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods.

PRC subsidiaries are subject to PRC Corporate Income Tax at 25% for the Relevant Periods.

The income tax expense/(credit) for the Relevant Periods can be reconciled to the profit/(loss) before taxation per the consolidated statements of profit or loss as follows:

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit/(loss) before taxation	69,429	5,712	3,005	2,511	(4,716)
Taxation at statutory income tax rate	17,360	1,429	753	628	(1,179)
Tax effect of expenses not deductible for tax purpose	452	202	100	91	11
Others	–	–	(2,674)	(2,492)	–
Income tax expense/(credit) for the year/period	17,812	1,631	(1,821)	(1,773)	(1,168)

11. Directors' remunerations

No emoluments were paid to the directors of the Target Company, Mr. Hau Wai Man, Mr. Zhang Changsheng, Mr. Wong Hong and Mr. He Peng, during the Relevant Periods.

	Fees	Salaries and other allowance	Contributions to retirement benefits scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended:				
31 December 2012	–	–	–	–
31 December 2013	–	–	–	–
31 December 2014	–	–	–	–
For four months ended:				
30 April 2014 (unaudited)	–	–	–	–
30 April 2015	–	–	–	–

No emoluments have been paid by the Target Group to the directors as an inducement to join or upon joining the Target Group as compensation for loss of office during the Relevant Periods.

No director of the Target Company has waived any emoluments during the Relevant Periods.

12. Dividend

The directors of the Target Company do not recommend the payment of any dividend for the Relevant Periods.

13. Earnings per share

Earnings per share has not been presented as such information is not meaningful having regard to the purpose of this report.

14. Property, plant and equipment

	Golf courses	Buildings	Leasehold improvements	Furniture, computer and equipment	Machinery and equipment	Motor vehicle	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost								
At 1 January 2012	136,780	216,500	25,010	23,704	14,354	18,048	–	434,396
Additions	–	136	279	947	525	518	–	2,405
Disposal	–	–	–	–	–	(994)	–	(994)
Exchange alignment	(25)	(40)	(5)	(5)	(3)	(3)	–	(81)
At 31 December 2012 and 1 January 2013	136,755	216,596	25,284	24,646	14,876	17,569	–	435,726
Additions	–	6,231	3	961	203	263	35,951	43,612
Disposal	–	–	–	(10)	(1,030)	(115)	–	(1,155)
Exchange alignment	4,282	6,782	792	772	447	550	–	13,625
At 31 December 2013 and 1 January 2014	141,037	229,609	26,079	26,369	14,496	18,267	35,951	491,808
Additions	–	–	–	975	126	–	77,354	78,455
Disposal	–	–	–	(164)	(35)	(236)	–	(435)
Exchange alignment	(472)	(768)	(87)	(88)	(49)	(79)	(32)	(1,575)
At 31 December 2014 and 1 January 2015	140,565	228,841	25,992	27,092	14,538	17,952	113,273	568,253
Additions	–	–	–	15	237	–	12,464	12,716
Exchange alignment	11	17	2	2	1	1	6	40
At 30 April 2015	140,576	228,858	25,994	27,109	14,776	17,953	125,743	581,009
Accumulated depreciation								
At 1 January 2012	49,864	39,351	14,315	19,121	10,413	14,993	–	148,057
Charged for the year	5,382	7,058	423	2,190	1,059	1,497	–	17,609
Disposal	–	–	–	–	–	(591)	–	(591)
Exchange alignment	(10)	(10)	(3)	(4)	(2)	(3)	–	(32)
At 31 December 2012 and 1 January 2013	55,236	46,399	14,735	21,307	11,470	15,896	–	165,043
Charged for the year	5,464	7,170	433	1,752	1,026	852	–	16,697
Disposal	–	–	–	(10)	(985)	(109)	–	(1,104)
Exchange alignment	1,815	1,566	468	695	375	511	–	5,430

	Golf courses	Buildings	Leasehold improvements	Furniture, computer and equipment	Machinery and equipment	Motor vehicle	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2013 and 1 January 2014	62,515	55,135	15,636	23,744	11,886	17,150	–	186,066
Charged for the year	5,220	8,477	439	1,088	911	232	–	16,367
Disposal	–	–	–	(158)	(34)	(241)	–	(433)
Exchange alignment	(218)	(199)	(53)	(81)	(41)	(58)	–	(650)
At 31 December 2014 and 1 January 2015	67,517	63,413	16,022	24,593	12,722	17,083	–	201,350
Charged for the period	1,046	2,821	147	323	269	74	–	4,680
Exchange alignment	4	5	1	2	1	1	–	14
At 30 April 2015	68,567	66,239	16,170	24,918	12,992	17,158	–	206,044
Carrying amounts								
At 30 April 2015	72,009	162,619	9,824	2,191	1,784	795	125,743	374,965
At 31 December 2014	73,048	165,428	9,970	2,499	1,816	869	113,273	366,903
At 31 December 2013	78,522	174,474	10,443	2,625	2,610	1,117	35,951	305,742
At 31 December 2012	81,519	170,197	10,549	3,339	3,406	1,673	–	270,683

Depreciation expense of approximately HK$16,785,000, HK$15,875,000, HK$15,605,000 and HK$4,453,000 has been charged in cost of sales for the years ended 31 December 2012, 2013 and 2014 and four months ended 30 April 2015 respectively.

During the years ended 31 December 2012, 2013 and 2014 and four months ended 30 April 2015, the Target Group has capitalised operating lease rentals of approximately HK$Nil, HK$4,098,000, HK$10,209,000 and HK$3,403,000 respectively.

15. Intangible asset

	Software and licences
	HK$'000
Cost	
At 1 January 2012	–
Additions	123
At 31 December 2012 and 1 January 2013	123
Exchange difference	4
At 31 December 2013 and 1 January 2014	127
Addition	61
Exchange difference	–
At 31 December 2014 and 1 January 2015	188
Exchange difference	–
At 30 April 2015	188
Amortisation	
At 1 January 2012	–
Amortisation	13
At 31 December 2012 and 1 January 2013	13
Amortisation	42
Exchange difference	1
At 31 December 2013 and 1 January 2014	56
Amortisation	46
Exchange difference	–
At 31 December 2014 and 1 January 2015	102
Amortisation	21
Exchange difference	–
At 30 April 2015	123
Carrying amount	
At 30 April 2015	65
At 31 December 2014	86
At 31 December 2013	71
At 31 December 2012	110

Amortisation of approximately HK$13,000, HK$42,000, HK$46,000 and HK$21,000 has been charged in cost of for the years ended 31 December 2012, 2013 and 2014 and four months ended 30 April 2015 respectively.

16. Inventories

	At 31 December			At 30 April
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	2,209	2,511	1,545	2,299
Finished goods	12,146	8,312	8,054	6,520
	14,355	10,823	9,599	8,819

17. Prepayments, deposits and other receivables

	At 31 December			At 30 April
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments *(Note)*	37,111	30,967	25,288	23,623
Deposits and other receivables	7,946	16,635	39,000	47,339
Less: non-current portion	(25,185)	(16,533)	(14,050)	(12,361)
	19,872	31,069	50,238	58,601

Note:

Prepayments mainly represented prepaid operating lease payment of Bayhood No. 9 golf club and prepayments for renovation and construction works.

18. Amounts due from related companies

The amounts due from related companies are unsecured, interest-free and recoverable on demand.

19. Cash and cash equivalents

Cash and cash equivalents at the end of the Relevant Periods as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

	At 31 December			At 30 April
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Renminbi	15,566	8,084	79,643	66,475
Hong Kong Dollars	64	106	29	134
United States Dollar	7,762	5,551	1,267	514
British Pound	50	51	50	50
	23,442	13,792	80,989	67,173

20. Trade payables

	At 31 December			At 30 April
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	3,878	2,499	1,641	1,751

An aged analysis of the Target Group's trade payables at the end of the Relevant Periods is as follows:

	At 31 December			At 30 April
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 3 months	2,363	1,776	1,400	1,488
4 – 6 months	856	348	241	263
Over 6 months	659	375	–	–
	3,878	2,499	1,641	1,751

21. Receipt in advance, other payables and accrued liabilities

	At 31 December			At 30 April
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities:				
Receipt in advance	18,970	10,142	8,404	8,320
Other payables and accrued liabilities *(Note)*	98,043	111,949	111,510	113,918
	117,013	122,091	119,914	122,238
Non-current liabilities:				
Other payables	1,014	7,098	10,720	12,516
	118,027	129,189	130,634	134,754

Note:

Other payables and accrued liabilities mainly represented PRC tax payables and provisions of social insurance for staffs in the PRC.

22. Deferred revenue

	At 31 December			At 30 April
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at the beginning of the year/period	174,662	141,234	131,292	109,147
Additions during the year/period	29,875	40,849	27,466	9,085
Recognised in the consolidated statements of profit or loss	(63,274)	(54,992)	(49,208)	(11,640)
Exchange difference	(29)	4,201	(403)	8
Balance at the end of the year/period	141,234	131,292	109,147	106,600
Less: Current portion	(45,294)	(38,577)	(31,746)	(32,038)
Non-current portion	95,940	92,715	77,401	74,562

23. Amounts due to related companies

The amounts due to related companies at 31 December 2012, 2013, 2014 and at 30 April 2015 mainly comprise of the amount due to Unique Talent of approximately HK$7,471,000, HK$37,437,000, HK$1,076,218,000 and HK$1,076,218,000 respectively.

The amounts due to related companies are unsecured, interest-free and repayable on demand.

24. Deferred taxation

The followings are the major deferred tax assets and liabilities recognised and movements thereon:

Deferred tax assets

	Amortisation of operating lease	Tax losses	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2012	6,215	–	6,215
Charged to the consolidated statements of profit or loss	(5,961)	–	(5,961)
At 31 December 2012 and 1 January 2013	254	–	254
Credited to the consolidated statements of profit or loss	1,490	693	2,183
Exchange difference	30	12	42
At 31 December 2013 and 1 January 2014	1,774	705	2,479
Credited/(charged) to the consolidated statements of profit or loss	884	(663)	221
Exchange difference	(16)	(4)	(20)
At 31 December 2014 and 1 January 2015	2,642	38	2,680
Credited/(charged) to the consolidated statements of profit or loss	409	(38)	371
Exchange difference	78	–	78
At 30 April 2015	3,129	–	3,129

Deferred tax liabilities

	Accelerated tax depreciation
	HK$'000
At 1 January 2012, 31 December 2012 and 1 January 2013	–
Charged to the consolidated statements of profit or loss	3,813
At 31 December 2013 and 1 January 2014	3,813
Credited to the consolidated statements of profit or loss	(937)
Exchange difference	740
At 31 December 2014 and 1 January 2015	3,616
Charged to the consolidated statements of profit or loss	995
Exchange difference	1
At 30 April 2015	4,612

25. Share capital

	At 31 December			**At 30 April**
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Authorised				
50,000 ordinary shares of US$1 each	390,000	390,000	390,000	390,000
Issued and fully paid				
1 ordinary share of US$1 each	8	8	8	8

26. Commitments

(a) Lease commitments

The Target Group as lessee

At the end of the Relevant Periods, the Target Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 31 December			At 30 April
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	7,400	7,514	7,619	7,619
Later than one year and not later than five years	29,601	30,493	31,681	31,934
Later than five years	317,123	314,030	310,031	307,936
	354,124	352,037	349,331	347,489

The above future aggregate minimum lease payments under non-cancellable operating leases have included committed operating lease rental arising from land and building and operating rights of the Cooperation Construction Operating Agreements, being the rights to develop and operate a piece of 580-acre land adjacent to "Bayhood No. 9 Club" up to 30 January 2062.

(b) Capital commitments

The Target Group had the following commitments at the end of the Relevant Periods:

	At 31 December			At 30 April
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	–	364,481	86,019	78,502

27. Capital management

Capital risk management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and maintain healthy ratios in order to support its business and enhance shareholders' value.

The Target Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or raise and repay debts. The Target Group's capital management objectives, policies or processes were unchanged during the Relevant Periods.

The Target Group has adopted a capital structure policy primarily not to finance its operation through borrowings. Based on the Target Group's policy, the gearing ratio at the end of each Relevant Periods were zero.

28. Financial instruments

Categories of financial instruments

	At 31 December			At 30 April
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	153,945	168,720	119,989	114,512
Financial liabilities				
Amortised cost	117,441	166,609	1,200,089	1,191,887

Financial risk management objectives and policies

The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

(a) Market risk

Currency risk

The Target Group's exposure to currency risk is minimal as the Target Group does not hold material financial assets and liabilities that are denominated in currencies other than their respective functional currencies.

Interest rate risk

The Target Group's exposure to interest rate risk is minimal as the Target Group does not have any long-term interest bearing financial assets and liabilities.

Price risk

At the end of the Relevant Periods, the Target Group has no significant exposure to price risk.

(b) Credit risk

The Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties and the financial guarantees issued by the Target Group arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the directors of the Target Company are responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverable amount of each individual receivable and debt investment at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Target Company consider that the Target Group's credit risk is significantly reduced.

(c) Liquidity risk

Ultimate responsibility for liquidity risk rests with the directors of the Target Company, which has built an appropriate liquidity risk management framework to meet the Target Group's short, medium and long-term funding and liquidity management requirements. The Target Group manages liquidity risk by maintaining adequate level of cash and cash equivalents, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Target Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Target Group can be required to pay. The tables include both interest and principal cash flows.

	Less than 1 year	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2012				
Trade payables	3,878	–	–	3,878
Other payables and accrued liabilities	98,043	1,014	–	99,057
Amounts due to related companies	14,506	–	–	14,506
	116,427	1,014	–	117,441
At 31 December 2013				
Trade payables	2,499	–	–	2,499
Other payables and accrued liabilities	111,949	7,098	–	119,047
Amounts due to related companies	45,063	–	–	45,063
	159,511	7,098	–	166,609
At 31 December 2014				
Trade payables	1,641	–	–	1,641
Other payables and accrued liabilities	111,510	10,720	–	122,230
Amounts due to related companies	1,076,218	–	–	1,076,218
	1,189,369	10,720	–	1,200,089

	Less than 1 year	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 30 April 2015				
Trade payables	1,751	–	–	1,751
Other payables and accrued Liabilities	101,402	12,516	–	113,918
Amount due to related companies	1,076,218	–	–	1,076,218
	1,179,371	12,516	–	1,191,887

Fair value of financial instruments

Fair value of the Target Group's financial instruments that are measured at fair value on a recurring basis.

Some of the Target Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Target Group has no financial instruments that are measured subsequent to initial recognition at fair value at the Relevant Periods.

29. Material related party transactions

Save as disclosed elsewhere in the Financial Information, the Target Group did not enter into any material transactions with any related party during the Relevant Periods.

(a) Balances with related parties

Details of the balance with related parties are set out in the consolidated statements of financial position and in notes 18 and 23.

(b) Compensation of key management personnel

No remuneration was paid to the directors of the Target Company during the Relevant Periods.

30. Contingent liabilities

At the end of the Relevant Periods, the Target Group had no material contingent liability.

31. Subsequent events

No material events took place subsequent to the Relevant Periods.

32. Particular of subsidiaries

Name of company	Date of incorporation	Principal activity/place of incorporation	Issued share capital	Effective interests held by the Target Company				Auditor
				At 31 December			At 30 April	
				2012	2013	2014	2015	
Directly held								
China Jiuhao Health Industry Group Limited	3 September 2009	Investment holding/ Hong Kong	HK$1 Ordinary share	100%	100%	100%	100%	PricewaterhouseCoopers
Yuan Shun Investment Limited	9 June 2011	Investment holding/BVI	US$1 Ordinary share	N/A	N/A	100%	100%	N/A

Name of company	Date of incorporation	Principal activity/place of incorporation	Issued share capital	Effective interests held by the Target Company				Auditor
				At 31 December			At 30 April	
				2012	2013	2014	2015	
Indirectly held								
四海能榮(北京)餐飲文化有限公司(Sihai Nengrong (Beijing) Food and Beverage Culture Limited*)	7 June 2010	Investment holding/PRC	US$4,720,000	100%	100%	100%	100%	北京永恩力合會計師事務所有限公司#
歡樂時代文化發展(北京) 有限公司 (Happy Era Culture Development (Beijing) Limited*)	26 February 2010	Investment holding/PRC	RMB100,000	100%	100%	100%	100%	北京永恩力合會計師事務所有限公司#
北京北湖九號商務酒店有限公司(Beijing Bayhood No. 9 Business Hotel Company Limited*)	9 July 2003	Provision of recreational and tourism services through the management of "Bayhood No. 9 Club", a membership-based club in the PRC	RMB50,000,000	N/A	100%	100%	100%	北京永恩力合會計師事務所有限公司#

* *for identification purpose only*

\# *formerly known as 北京雙斗會計師事務所(普通合伙)*

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 30 April 2015 and up to the date of this report. In addition, no dividends or other distributions have been declared, made or paid by the Target Group in respect of any period subsequent to 30 April 2015.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467
Hong Kong

The Target Company is a company incorporated in the BVI with limited liability on 9 August 2010. The address of the Target Company's registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI.

Prior to completion of the Transactions, its immediate holding is Unique Talent Group Limited ("**Unique Talent**"), which is incorporated in the BVI with limited liability and its ultimate holding company is Jiuhao Health.

The principal activity of the Target Company is investment holding and the principal activities of its major subsidiary (i.e. BJ Bayhood No. 9 Co) is the provision of recreational and tourism services through the management of Beijing Bayhood No. 9 Club, a membership-based club in the PRC.

The Target Group underwent a reorganisation which was completed on 27 September 2014, pursuant to which Yuan Shun Investments Limited ("**Yuan Shun**") under common control of Unique Talent was transferred to the Target Company (the "**Reorganisation**").

On 22 October 2012, Unique Talent acquired 100% equity interest in Yuan Shun and its subsidiaries from Smart Concept Enterprise Limited, a wholly owned company of Mr. Yuen Hoi Po, the chairman and a substantial shareholder of Jiuhao Health, for a total consideration of approximately HK$1,003,321,000.

Upon completion of the Reorganisation, the investment cost of Unique Talent in Yuan Shun of approximately HK$1,003,321,000 has been assigned to the Target Company resulting an amount due from the Target Company to Unique Talent. The Target Company would become the holding company of the companies comprising the Target Group.

Set out below are the management discussions and analysis of the financial results of the Target Group over the three years ended 31 December 2012, 2013 and 2014 and for the four months ended 30 April 2014 and 2015 respectively. Reference should be made to the Accountants' Report of the Target Group set out in Appendix II to the Circular when reading this section headed "Management discussions and analysis of the financial results of the Target Group".

Please note that the comparative consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Target Group for the four months ended 30 April 2014 together with the notes thereon (the "**Comparative Financial Information**") was prepared by the directors of the Target Company solely for the purpose of the accountants' report of the Target Group.

(i) For the year ended 31 December 2014 as compared to the year ended 31 December 2013

During the year ended 31 December 2014, the Target Group recorded turnover of HK$111,262,000, an approximately 20.7% decrease from HK$140,259,000 for the previous year. Turnover of the Target Group mainly comprised of (i) food and beverage income; (ii) souvenir shop income; (iii) club activities income; (iv) membership entrance fee income; (v) member's annual fee income; and (vi) others. Set out below are the breakdown as extracted from note 7 of the Accountants' Report of the Target Group.

	Year ended 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
Food and beverage income	23,242	14,367
Souvenir shop income	972	879
Club activities income	52,381	40,159
Membership entrance fee income	46,403	40,808
Members' annual fee income	5,758	4,802
Others	11,503	10,247
	140,259	111,262

The decrease in turnover was mainly attributable to the macro-economic situation in the high-end luxury sector in the PRC, which in turn, lowered the related income from club activities, food and beverages and new membership buildup.

Other income and other gains/(losses) decreased by approximately 53.6% from HK$4,940,000 in the year ended 31 December 2013 to HK$2,294,000 in 2014. This decrease was the net effect of (i) an increase in interest income of HK$2,330,000 (2013: HK$45,000); and (ii) a change from having an exchange gain of HK$4,644,000 in the year ended 31 December 2013 to an exchange loss of HK$196,000 in 2014, which was arising from translation of RMB denomination intra-group balances to Hong Kong dollars.

Gross profit and gross profit margin for the year ended 31 December 2014 were HK$49,140,000 and approximately 44.2% respectively as compared to HK$53,137,000 and approximately 37.9% for the year ended 31 December 2013 respectively. The decrease in gross profit was mainly attributable to the decrease in turnover as mentioned above. The gross profit margin has increased in 2014 as the operating lease rental of HK$10,209,000 (2013: HK$4,098,000) was capitalised as construction in progress.

Administrative expenses amounted to HK$48,429,000 for the year ended 31 December 2014, representing an approximately 7.5% decrease from HK$52,365,000 for the previous year. This decrease was mainly attributable to continuing effect in cost saving given the operating environment in 2014.

Profit for the year ended 31 December 2014 amounted to HK$4,826,000, representing an approximately 18.3% increase from HK$4,081,000 for the previous year. The effect was attributable to the cumulative reasons for changes in gross profit, other income and administrative expenses as mentioned above.

Taxation

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the Relevant Periods.

Dividend

The directors of the Target Company did not recommend the payment of any dividend for the year ended 31 December 2014 (2013: nil).

Earnings per share

Earnings per share has not been presented as such information is not meaningful.

Liquidity and financial resources

During the year, the Target Group funded its operations through amounts due to related companies of HK$1,076,218,000 as at 31 December 2014 (as at 31 December 2013: HK$45,063,000) which were unsecured, interest free and repayable-on-demand. The increase in the amounts due to related companies was mainly attributable to the impact of Reorganisation which resulted in an increase of amounts due to related companies of HK$1,003,321,000.

As at 31 December 2014, the Target Group recorded net current liabilities of HK$1,164,479,000 (as at 31 December 2013: HK$91,663,000). The increase was mainly attributable to the impact of Reorganisation which resulted in an increase of amounts due to related companies of HK$1,003,321,000.

Capital and reserves attributable to owner of the Target Company decreased from HK$129,536,000 at 31 December 2013 to a deficit of HK$872,497,000 at 31 December 2014.

As at 31 December 2014, the cash and cash equivalents of the Target Group amounted to HK$80,989,000 (2013: HK$13,792,000).

Saved for the loan from the related companies, as at 31 December 2014, the Target Group had no other outstanding borrowings.

Gearing ratio

As at 31 December 2014, the Target Group funded its operations through amounts due to related companies which were unsecured, interest free and repayable-on-demand. Hence the gearing ratio calculated as a percentage of total interest bearing borrowings over equity attributable to owner of the Target Company will not be meaningful.

Capital structure

As at 31 December 2014, the Target Company has 1 ordinary share of US$1 in issue. Such number of share was issued since incorporation.

During the year, the Target Group funded its operations through amounts due to related companies which were unsecured, interest free and repayable-on-demand.

Non-current assets

As at 31 December 2014, total non-current assets was HK$383,719,000 (2013:HK$324,825,000) and the bulk of the non-current assets of the Target Group comprised of property, plant and equipment of HK$366,903,000 (2013:HK$305,742,000). Among the property, plant and equipment, the major items are golf courses amounted to HK$73,048,000 (2013: HK$78,522,000), buildings amounted to HK$165,428,000 (2013: HK$174,474,000) and construction in progress amounted to HK$113,273,000 (2013: HK$35,951,000).

Current assets

As at 31 December 2014, total current assets was HK$140,826,000 (2013:HK$193,977,000) and the bulk of the current assets of the Target Group comprised of (i) prepayments, deposits and other receivables; and (ii) cash and cash equivalents as shown below:

	As at 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
Prepayments, deposits and other receivables	31,069	50,238
Cash and cash equivalents	13,792	80,989

Prepayments mainly represented prepaid operating lease payment of Beijing Bayhood No. 9 Club and prepayments for renovation and construction works.

Current liabilities

As at 31 December 2014, total current liabilities was HK$1,305,305,000 (2013:HK$285,640,000) and the bulk of the current liabilities of the Target Group comprised of (i) receipt in advance, other payables and accrued liabilities; and (ii) amount due to related companies as shown below:

	As at 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
Receipt in advance, other payables and accrued liabilities	122,091	119,914
Amounts due to related companies	45,063	1,076,218

Net current liabilities

As at 31 December 2014, the Target Group recorded net current liabilities of HK$1,164,479,000 (as at 31 December 2013: HK$91,663,000).

Use of proceeds from fund raising activities

During the year, the Target Company had not raised any funds (2013: nil).

Material acquisitions

During the year, the Target Group had no material acquisitions (2013: nil).

Material disposals

During the year, the Target Group had no material disposals (2013: nil).

Pledge of assets

As at 31 December 2014, the Target Group had no pledge of assets (2013: nil).

Material commitments

As at 31 December 2014, the Target Group as lessee had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises amounted to HK$349,331,000 (2013: HK$352,037,000).

In addition, as at 31 December 2014, the Target Group had capital commitments amounted to HK$86,019,000 (2013: HK$364,481,000).

Exchange risk and hedging

As the majority of the Target Group's transactions, assets and liabilities are denominated in Hong Kong Dollars. Accordingly, no financial instruments for hedging purposes have been used by the Target Group.

Contingent liabilities

As at 31 December 2014, the Target Group had no material contingent liabilities.

Employees and remuneration policy

As at 31 December 2014, the headcount of the Target Group was 466 (2013: 544). Staff costs (including directors' emoluments) amounted to HK$43,586,000 (2013: HK$52,883,000). In addition to basic salaries, provident fund and discretionary bonus, staff benefits include medical scheme.

Major customers and suppliers

In 2014, the Target Group's five largest customers accounted for less than 30% of its turnover. In 2014, the Target Group's five suppliers accounted for less than 30% of its purchases. At no time during the year did a director, an associate of a director or a shareholder of the Target Company (which to the knowledge of the directors of the Target Company owns more than 5% of the Target Company's share capital) have an interest in any of the Target Group's five largest customers or suppliers.

(ii) For the year ended 31 December 2013 as compared to the year ended 31 December 2012

During the year ended 31 December 2013, the Target Group recorded turnover of HK$140,259,000, an approximately 16.4% decrease from HK$167,729,000 for the previous year. Turnover of the Target Group mainly comprised of (i) food and beverage income; (ii) souvenir shop income; (iii) club activities income; (iv) membership entrance fee income; (v) member's annual fee income; and (vi) others. Set out below are the breakdown as extracted from note 7 of the Accountants' Report of the Target Group.

	Year ended 31 December	
	2012	**2013**
	HK$'000	*HK$'000*
Food and beverage income	44,351	23,242
Souvenir shop income	4,782	972
Club activities income	48,428	52,381
Membership entrance fee income	54,892	46,403
Members' annual fee income	5,530	5,758
Others	9,746	11,503
	167,729	140,259

The decrease in turnover was mainly attributable to the macro-economic situation in the high-end luxury sector in the PRC, which in turn, lowered the related income from club activities, food and beverages and new membership buildup.

Other income and other gains/(losses) increased by approximately 9.3 times from HK$533,000 in the year ended 31 December 2012 to HK$4,940,000 in 2013. This increase was mainly because of the exchange gain of HK$4,644,000 in the year ended 31 December 2013 as compared to an exchange loss of HK$55,000 in 2012 which was arising from translation of RMB denominated intra-group balances to Hong Kong dollars.

Gross profit and gross profit margin for the year ended 31 December 2013 were HK$53,137,000 and approximately 37.9% respectively as compared to HK$108,765,000 and approximately 64.8% respectively for the year ended 31 December 2012. The decrease in gross profit and gross profit margin was mainly attributable to the decrease in turnover as mentioned above. Please also note that for the year ended 31 December 2012, there was a gain of HK$24,858,000 being recognised as a result of the derecognition of the previously recorded liabilities as disclosed in note 9 of the Accountants' Report of the Target Group set out in Appendix II to the Circular.

Administrative expenses amounted to HK$52,365,000 for the year ended 31 December 2013, representing an approximately 31.3% increase from HK$39,869,000 for the previous year. This increase was mainly attributable to, among others, increase in staff costs and upfront spending, after the Si He Yuan project was kicked-off in 2013.

Profit for the year ended 31 December 2013 amounted to HK$4,081,000, representing an approximately 92.1% decrease from HK$51,617,000 for the previous year. The effect was attributable to the cumulative reasons for changes in gross profit, other income and administrative expenses as mentioned above.

Taxation

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the Relevant Periods.

Dividend

The directors of the Target Company did not recommend the payment of any dividend for the year ended 31 December 2013 (2012: nil).

Earnings per share

Earnings per share has not been presented as such information is not meaningful.

Liquidity and financial resources

During the year, the Target Group funded its operations through amounts due to related companies of HK$45,063,000 as at 31 December 2013 (as at 31 December 2012: HK$14,506,000) which were unsecured, interest free and repayable-on-demand. The increase in the amount due to related parties was mainly attributable to additional funding provided to the Target Group for the Si He Yuan project.

As at 31 December 2013, the Target Group recorded net current liabilities of HK$91,663,000 (as at 31 December 2012: HK$73,319,000).

Capital and reserves attributable to owner of the Target Company increased from HK$125,959,000 at 31 December 2012 to HK$129,536,000 at 31 December 2013.

As at 31 December 2013, the cash and cash equivalents of the Target Group amounted to HK$13,792,000 (2012: HK$23,442,000).

Saved for the amount due to the related companies, as at 31 December 2013, the Target Group had no other outstanding borrowings.

Gearing ratio

As at 31 December 2013, the Target Group funded its operations through amounts due to related companies of HK$45,063,000, which were unsecured, interest free and repayable-on-demand. Hence the gearing ratio calculated as a percentage of total interest bearing borrowings over equity attributable to owner of the Target Company will not be meaningful.

Capital structure

As at 31 December 2013, the Target Company has 1 ordinary share of US$1 in issue. Such number of share was issued since incorporation.

During the year, the Target Group funded its operations through amounts due to related companies of HK$45,063,000 as at 31 December 2013 (as at 31 December 2012: HK$14,506,000) which were unsecured, interest free and repayable-on-demand.

Non-current assets

As at 31 December 2013, total non-current assets was HK$324,825,000 (2012:HK$296,232,000) and the bulk of the non-current assets of the Target Group comprised of property, plant and equipment of HK$305,742,000 (2012:HK$270,683,000). Among the property, plant and equipment, the major items are golf courses amounted to HK$78,522,000 (2012: HK$81,519,000) and buildings amounted to HK$174,474,000 (2012: HK$170,197,000).

Current assets

As at 31 December 2013, total current assets was HK$193,977,000 (2012:HK$180,226,000) and the bulk of the current assets of the Target Group comprised of (i) prepayments, deposits and other receivables; (ii) amounts due from related companies; and (iii) cash and cash equivalents as shown below:

	As at 31 December	
	2012	**2013**
	HK$'000	*HK$'000*
Prepayments, deposits and other receivables	19,872	31,069
Amounts due from related companies	122,557	138,293
Cash and cash equivalents	23,442	13,792

Prepayments mainly represented prepaid operating lease payment of Beijing Bayhood No. 9 Club and prepayments for renovation and construction works.

Current liabilities

As at 31 December 2013, total current liabilities was HK$285,640,000 (2012:HK$253,545,000) and the bulk of the current liabilities of the Target Group comprised of (i) receipt in advance, other payables and accrued liabilities; (ii) amount due to related companies; and (iii) tax liabilities as shown below:

	As at 31 December	
	2012	**2013**
	HK$'000	*HK$'000*
Receipt in advance, other payables and accrued liabilities	117,013	122,091
Amounts due to related companies	14,506	45,063
Tax liabilities	72,854	77,410

Net current liabilities

As at 31 December 2013, the Target Group recorded net current liabilities of HK$91,663,000 (as at 31 December 2012: HK$73,319,000).

Use of proceeds from fund raising activities

During the year, the Target Company had not raised any funds (2012: nil).

Material acquisitions

During the year, the Target Group had no material acquisitions (2012: nil).

Material disposals

During the year, the Target Group had no material disposals (2012: nil).

Pledge of assets

As at 31 December 2013, the Target Group had no pledge of assets (2012: nil).

Material commitments

As at 31 December 2013, the Target Group as lessee had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises amounted to HK$352,037,000 (2012: HK$354,124,000).

In addition, as at 31 December 2013, the Target Group had capital commitments amounted to HK$364,481,000 (2012: nil).

Exchange risk and hedging

As the majority of the Target Group's transactions, assets and liabilities are denominated in Hong Kong Dollars. Accordingly, no financial instruments for hedging purposes have been used by the Target Group.

Contingent liabilities

As at 31 December 2013, the Target Group had no material contingent liabilities.

Employees and remuneration policy

As at 31 December 2013, the headcount of the Target Group was 544 (2012: 579). Staff costs (including directors' emoluments) amounted to HK$52,883,000 (2012: HK$45,087,000). In addition to basic salaries, provident fund and discretionary bonus, staff benefits include medical scheme.

Major customers and suppliers

In 2013, the Target Group's five largest customers accounted for less than 30% of its turnover. In 2013, the Target Group's five largest suppliers accounted for less than 30% of its purchases. At no time during the year did a director, an associate of a director or a shareholder of the Target Company (which to the knowledge of the directors owns more than 5% of the Target Company's share capital) have an interest in any of the Target Group's five largest customers or suppliers.

(iii) For the four months ended 30 April 2015 as compared to the four months ended 30 April 2014

During the four months ended 30 April 2015, the Target Group recorded turnover of HK$26,279,000, an approximately 15.2% decrease from HK$31,004,000 for the corresponding period of the previous year. Turnover of the Target Group mainly comprised of (i) food and beverage income; (ii) souvenir shop income; (iii) club activities income; (iv) membership entrance fee income; (v) member's annual fee income; and (vi) others. Set out below are the breakdown as extracted from note 7 of the Accountants' Report of the Target Group.

	For the four months ended 30 April	
	2014	**2015**
	HK$'000	*HK$'000*
	(unaudited)	
Food and beverage income	3,820	2,288
Souvenir shop income	63	271
Club activities income	8,109	8,902
Membership entrance fee income	12,047	9,641
Members' annual fee income	2,806	2,781
Others	4,159	2,396
	31,004	26,279

The decrease in turnover was mainly attributable to the macro-economic situation in the high-end luxury sector in the PRC, which in turn, lowered the related income from club activities, food and beverages and new membership buildup.

The Target Group recorded other income and other gains/(losses) of HK$424,000 in the four months ended 30 April 2015 as opposed to a loss of HK$590,000 for the corresponding period of the previous year. This improvement was the net effect of (i) an increase in interest income of HK$347,000 (2014: HK$12,000; and (ii) a change from having an exchange gain of HK$5,000 to an exchange loss of HK$681,000).

Gross profit and gross profit margin for the four months ended 30 April 2015 were HK$11,943,000 and approximately 45.4% respectively as compared to HK$16,840,000 and approximately 54.3% respectively for the corresponding period of the previous year. The decrease in gross profit and gross profit margin was mainly attributable to the decrease in turnover as mentioned above.

Administrative expenses amounted to HK$17,083,000 for the four months ended 30 April 2015, representing an approximately 24.3% increase from HK$13,739,000 for the corresponding period of the previous year. This increase was mainly attributable to additional staff costs and consulting fee incurred for managing the club and Si He Yuan development. In addition, more repair and maintenance work on the club was required during the four months ended 30 April 2015.

The Target Group recorded a loss of HK$3,548,000 for the four months ended 30 April 2015 as compared to a profit of HK$4,284,000 for the corresponding period of the previous year. The effects was attributable to the cumulative reasons for changes in gross profit, other income and administrative expenses as mentioned above.

Taxation

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the Relevant Periods.

Dividend

The directors of the Target Company did not recommend the payment of any dividend for the four months ended 30 April 2015 (2014: nil).

Earnings per share

Earnings per share has not been presented as such information is not meaningful.

Liquidity and financial resources

During the period four months ended 30 April 2015, the Target Group funded its operations through amounts due to related companies of HK$1,076,218,000 as at 30 April 2015 (as at 31 December 2014: HK$1,076,218,000) which were unsecured, interest free and repayable-on-demand.

As at 30 April 2015, the Target Group recorded net current liabilities of HK$1,171,479,000 (as at 31 December 2014: HK$1,164,479,000).

Capital and reserves attributable to owners of the Target Company further decreased from a deficit of HK$872,497,000 at 31 December 2014 to a deficit of HK$872,649,000 at 30 April 2015.

As at 30 April 2015, the cash and cash equivalents of the Target Group amounted to HK$67,173,000 (as at 31 December 2014: HK$80,989,000).

Saved for the loan from the related companies, as at 30 April 2015, the Target Group had no other outstanding borrowings.

Gearing ratio

As at 30 April 2015, the Target Group funded its operations through amounts due to related companies which were unsecured, interest free and repayable-on-demand. Hence the gearing ratio calculated as a percentage of total interest bearing borrowings over equity attributable to owner of the Target Company will not be meaningful.

Capital structure

As at 30 April 2015, the Target Company has 1 ordinary share of US$1 in issue. Such number of share was issued since incorporation.

During the period, the Target Group funded its operations through amounts due to related companies which were unsecured, interest free and repayable-on-demand.

Non-current assets

As at 30 April 2015, total non-current assets was HK$390,520,000 (as at 31 December 2014: HK$383,719,000) and the bulk of the non-current assets of the Target Group comprised of property, plant and equipment of HK$374,965,000 (as at 31 December 2014: HK$366,903,000). Among the property, plant and equipment as at 30 April 2015, the major items are golf courses amounted to HK$72,009,000 (as at 31 December 2014: HK$73,048,000), buildings amounted to HK$162,619,000 (as at 31 December 2014: HK$165,428,000) and construction in progress amounted to HK$125,743,000 (as at 31 December 2014: HK$113,273,000).

Current assets

As at 30 April 2015, total current assets was HK$134,593,000 (as at 31 December 2014: HK$140,826,000) and the bulk of the current assets of the Target Group comprised of (i) prepayments, deposits and other receivables; and (ii) cash and cash equivalents as shown below:

	As at 31 December 2014 *HK$'000*	**As at 30 April 2015** ***HK$'000***
Prepayments, deposits and other receivables	50,238	**58,601**
Cash and cash equivalents	80,989	**67,173**

Prepayments mainly represented prepaid operating lease payment of Beijing Bayhood No. 9 Club and prepayments for renovation and construction works.

Current liabilities

As at 30 April 2015, total current liabilities was HK$1,306,072,000 (as at 31 December 2014:HK$1,305,305,000) and the bulk of the current liabilities of the Target Group comprised of (i) receipt in advance, other payables and accrued liabilities; and (ii) amount due to related companies as shown below:

	As at 31 December 2014 *HK$'000*	**As at 30 April 2015** **HK$'000**
Receipt in advance, other payables and accrued liabilities	119,914	**122,238**
Amounts due to related companies	1,076,218	**1,076,218**

Net current liabilities

As at 30 April 2015, the Target Group recorded net current liabilities of HK$1,171,479,000 (as at 31 December 2014: HK$1,164,479,000).

This condition indicates the existence of a material uncertainty which may cast significant doubt on the Target Group's ability to continue as a going concern and, therefore, the Target Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors of the Company are of the opinion that the Target Group will be able to finance its future working capital and financial requirements.

Based on the working capital forecast for the next 12 months from the date of this report, the directors of the Company have a reasonable expectation that the Target Group will be able to generate sufficient funds from its business to continue in operational existence for the foreseeable future based on the assessment of the business liquidity and cash flow requirements for the next twelve months. The ultimate holding company of the Target Company has further confirmed to provide continuing financial support to the Target Group to enable it to continue as a going concern and to settle its liabilities as and when they fall due for the foreseeable future. Accordingly, the Financial Information has been prepared on a going concern basis.

Use of proceeds from fund raising activities

During the period under reviewed, the Target Company had not raised any funds (the corresponding period in 2014: nil).

Material acquisitions

During the period under reviewed, the Target Group had no material acquisitions (the corresponding period in 2014: nil).

Material disposals

During the period under reviewed, the Target Group had no material disposals (the corresponding period in 2014: nil).

Pledge of assets

As at 30 April 2015, the Target Group has no pledge of assets (the corresponding period in 2014: nil).

Material commitments

As at 30 April 2015, the Target Group as lessee had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises amounted to HK$347,489,000 (as at 31 December 2014: HK$349,331,000).

In addition, as at 30 April 2015, the Target Group had capital commitments amounted to HK$78,502,000 (as at 31 December 2014: HK$86,019,000).

Exchange risk and hedging

As the majority of the Target Group's transactions, assets and liabilities are denominated in Hong Kong Dollars. Accordingly, no financial instruments for hedging purposes have been used by the Target Group.

Contingent liabilities

As at 30 April 2015, the Target Group had no material contingent liabilities.

Employees and remuneration policy

As at 30 April 2015, the headcount of the Target Group was 534 (as at 31 December 2014: 466). Staff costs (including directors' emoluments) amounted to HK$11,670,000 for the four months ended 30 April 2015 (for the corresponding period of the previous year: HK$11,340,000). In addition to basic salaries, provident fund and discretionary bonus, staff benefits include medical scheme.

Subsequent events

The Target Group had no material events subsequent to 30 April 2015 and up to the date of this accountants' report.

Major customers and suppliers

During the period under reviewed, the Target Group's five largest customers accounted for less than 30% of its turnover. In the same period under reviewed, the Target Group's five largest suppliers accounted for less than 30% of its purchases. At no time during the period under reviewed did a director, an associate of a director or a shareholder of the Target Company (which to the knowledge of the directors owns more than 5% of the Target Company's share capital) have an interest in any of the Target Group's five largest customers or suppliers.

The information set out in this Appendix does not form part of the Accountants' Report of the Target Group from HLB Hodgson Impey Cheng Limited, Certified Public Accountants, the Company's reporting accountants, as set out in Appendix II to the circular, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the "Financial Information of the Group" and the "Accountants' Report of the Target Group" set out in Appendices I and II respectively to the circular.

(I) INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

On 11 December 2014, Eternity Investment Limited (the "**Company**", together with its subsidiaries, the "**Group**") as the purchaser, Unique Talent Group Limited, (the "**Vendor**"), a wholly-owned subsidiary of China Jiuhao Health Industry Corporation Limited ("**Jiuhao Health**", together with its subsidiaries, the "**Jiuhao Health Group**"), as the vendor and Jiuhao Health as the guarantor to the Vendor entered into a sale and purchase agreement (the "**S&P Agreement**") pursuant to which, (i) the Vendor conditionally agreed to sell, and the Company conditionally agreed to purchase, the entire shareholding interest in Smart Title Limited (the "**Target Company**", together with its subsidiaries, the "**Target Group**"), the entire issued share of which is owned by the Vendor; and (ii) the Vendor agreed to assign the benefit and interest in a loan due from the Target Company to the Vendor (the "**Shareholder's Loan**") to the Company upon completion free from encumbrances (the "**Acquisition**"). The consideration payable for the Acquisition is agreed at HK$1,650 million in aggregate (the "**Consideration**").

The Consideration shall be settled as to (i) HK$60 million of the Consideration which has been paid in cash by the Company upon signing of the S&P Agreement as the refundable deposit by cashier's order drawn in the name of Jiuhao Health, which shall, subject to the terms and conditions set out in the S&P Agreement, be applied as partial payment of the Consideration upon completion of the Acquisition; (ii) on completion of the Acquisition, HK$540 million of the Consideration which shall be paid in cash by the Company to Jiuhao Health; (iii) on completion of the Acquisition, the Company shall in accordance with the instructions of the Vendor issue to Jiuhao Health the share entitlement note with an aggregate value of HK$1,050 million (the "**Share Entitlement Note**"), which shall entitle the holder of the Share Entitlement Note (the "**SEN Holder**") the right to call for the issue of 1,500,000,000 ordinary shares of the Company at an issue price of HK$0.70 per ordinary share; and (iv) the Vendor confirms that the receipt of payment of cash portion of the Consideration by Jiuhao Health pursuant to (i) and (ii) above shall be the evidence for the satisfaction of payment of the cash portion of the Consideration by the Company pursuant to the S&P Agreement.

The unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of the Group as enlarged by the Acquisition (the "**Enlarged Group**") has been prepared by the directors of the Company in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for the purpose of illustrating the effects of the Acquisition as if the Acquisition had taken place on (i) 31 December 2014 in the case of the unaudited pro forma consolidated statement of financial position of the Enlarged Group and (ii) 1 January 2014 in the case of the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group. As the completion of the proposed rights issue (the "**Rights Issue**") announced by the Company on 15 May 2015 is one of the conditions precedent to the S&P Agreement, the effects of the Rights Issue are taking into in the preparation of the Unaudited Pro Forma Financial Information. According to the prospectus relating to the Rights Issue issued by the Company on 29 July 2015, the effects of the Rights Issue are based on 590,003,243 new ordinary shares of the Company to be allotted and issued under the Rights Issue at a subscription price of HK$0.70 per ordinary share.

The preparation of the unaudited pro forma consolidated statement of financial position of the Enlarged Group is based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2014 which has been extracted from the published annual report of the Company for the year ended 31 December 2014; and (ii) the audited consolidated statement of financial position of the Target Group as at 30 April 2015 as extracted from the Accountants' Report of the Target Group as set out in Appendix II to this circular, after making pro forma adjustments relating to the Rights Issue and the Acquisition that are directly attributable to the Acquisition and factually supportable, as if the Rights Issue and the Acquisition had been completed on 31 December 2014.

The preparation of the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group is based on (i) the audited consolidated statement of profit or loss, the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2014 which have been extracted from the published annual report of the Company for the year ended 31 December 2014; and (ii) the audited consolidated statement of profit or loss, the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2014 as extracted from the Accountants' Report of the Target Group as set out in Appendix II to this circular, after making pro forma adjustments relating to the Rights Issue and the Acquisition that are directly attributable to the Acquisition and factually supportable, as if the Rights Issue and the Acquisition had been completed on 1 January 2014.

The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates and uncertainties. The Unaudited Pro Forma Financial Information does not purport to describe (i) the actual financial position of the Enlarged Group that would have been attained had the Rights Issue and the Acquisition been completed on 31 December 2014; and (ii) the actual results and cash flows of the Enlarged Group that would have been attained had the Rights Issue and the Acquisition been completed on 1 January 2014. The Unaudited Pro Forma Financial Information does not purport to predict the future financial position, results and cash flows of the Enlarged Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Company for the year ended 31 December 2014 and other financial information included elsewhere in this circular.

(A) Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	The Group at 31 December 2014	The Target Group at 30 April 2015	Pro forma adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*		*Notes*	
ASSETS					
Non-current assets					
Property, plant and equipment	13,074	374,965	49,716	*4*	436,960
			(795)	*4*	
Intangible assets	–	65	1,192,698	*4*	1,192,763
Goodwill	89,265	–	538,134	*4*	351,317
			(276,082)	*4*	
Interests in subsidiaries	–	–	1,672,500	*3*	–
			(1,672,500)	*4*	
Deposit for investment	60,000	–	(60,000)	*3*	–
Available-for-sale financial assets	68,887	–			68,887
Loans receivables	230,000	–			230,000
Deferred tax assets	–	3,129			3,129
Prepayments	–	12,361			12,361
	461,226	390,520			2,295,417
Current assets					
Inventories	27,100	8,819			35,919
Trade receivables	17,232	–			17,232
Loans receivables	720,549	–			720,549
Deposits, prepayments and other receivables	10,495	58,601			69,096
Amount due from an associate	3,528	–			3,528
Financial assets at fair value through profit or loss	598,705	–			598,705
Restricted bank deposits	19,701	–			19,701
Cash and cash equivalents	384,778	67,173	(540,000)	*3*	428,935
			114,282	*5*	
			402,702	*6*	
	1,782,088	134,593			1,893,665
Total assets	2,243,314	525,113			4,189,082

	The Group at 31 December 2014	The Target Group at 30 April 2015	Pro forma adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*		*Notes*	
EQUITY					
Capital and reserves attributable to owners of the Company					
Share capital	5,477	–	5,900	*6*	11,377
Reserves	2,139,174	(872,649)	1,072,500	*3*	3,322,394
			872,649	*4*	
			(276,082)	*4*	
			396,802	*6*	
			(10,000)	*9*	
Equity attributable to owners of the Company	2,144,651	(872,649)			3,333,771
Non-controlling interests	11,790	–			11,790
Total equity	2,156,441	(872,649)			3,345,561
LIABILITIES					
Current liabilities					
Trade payables	13,165	1,751			14,916
Accruals, other payables and receipt in advance	17,545	122,238	32,038	*7*	182,039
			218	*8*	
			10,000	*9*	
Other borrowings	3,850	–			3,850
Promissory notes	6,069	–			6,069
Tax payables	21,709	73,827			95,536
Deposits from customers	80	–			80
Deferred revenue	24,000	32,038	22,856	*5*	46,856
			(32,038)	*7*	
Obligations under finance leases	444	–			444
Amount due to related companies	–	1,076,218	(1,076,000)	*4*	–
			(218)	*8*	
	86,862	1,306,072			349,790

	The Group at 31 December 2014	The Target Group at 30 April 2015	Pro forma adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*		*Notes*	
Non-current liabilities					
Obligations under finance leases	11	–			11
Deferred revenue	–	74,562	91,426	*5*	91,426
			(74,562)	*7*	
Deferred taxation	–	4,612	310,604	*4*	315,216
Other payables	–	12,516	74,562	*7*	87,078
	11	91,690			493,731
Total liabilities	86,873	1,397,762			843,521
Total equity and liabilities	2,243,314	525,113			4,189,082
Net current assets/(liabilities)	1,695,226	(1,171,479)			1,543,875
Total assets less current liabilities	2,156,452	(780,959)			3,839,292

(B) Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Enlarged Group

	The Group for the year ended 31 December 2014	The Target Group for the year ended 31 December 2014	Pro forma adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*		*Notes*	
Continuing operations					
Turnover	110,755	111,262	(111,262)	*10*	133,611
			22,856	*11*	
Cost of sales	(27,001)	(62,122)	62,122	*10*	(56,823)
			(28,679)	*12*	
			(1,143)	*14*	
Gross profit	83,754	49,140			76,788
Investment and other income	3,805	–			3,805
Other gains and losses	200,409	2,294	(2,294)	*10*	200,409
Selling and distribution expenses	(1,350)	–			(1,350)
Administrative expenses	(52,783)	(48,429)	(10,000)	*9*	(442,939)
			48,429	*10*	
			(380,156)	*15*	
Share of results of associates	(555)	–			(555)
Profit/(loss) from operations	233,280	3,005			(163,842)
Finance costs	(406)	–			(406)
Profit/(loss) before taxation	232,874	3,005			(164,248)
Income tax (expense)/credit	(7,727)	1,821	(1,821)	*10*	(541)
			7,186	*13*	
Profit/(loss) for the year from continuing operations	225,147	4,826			(164,789)
Discontinued operations					
Profit for the year from discontinued operations	153	–			153
Profit/(loss) for the year	225,300	4,826			(164,636)

	The Group for the year ended 31 December 2014 *HK$'000* *(Note 1)*	The Target Group for the year ended 31 December 2014 *HK$'000* *(Note 2)*	Pro forma adjustments *HK$'000*	*Notes*	The Enlarged Group *HK$'000*
Profit/(loss) for the year attributable to:					
Owners of the Company	238,077	4,826	(10,000)	*9*	(151,859)
			(4,826)	*10*	
			22,856	*11*	
			(28,679)	*12*	
			7,186	*13*	
			(1,143)	*14*	
			(380,156)	*15*	
Non-controlling interests	(12,777)	–			(12,777)
	225,300	4,826			(164,636)

(C) Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group

	The Group for the year ended 31 December 2014	The Target Group for the year ended 31 December 2014	Pro forma adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*		*Notes*	
Profit/(loss) for the year	225,300	4,826	(10,000)	*9*	(164,636)
			(4,826)	*10*	
			22,856	*11*	
			(28,679)	*12*	
			7,186	*13*	
			(1,143)	*14*	
			(380,156)	*15*	
Other comprehensive income/(loss) for the year, net of income tax					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translating foreign operations	1	(5,556)			(5,555)
Net gain arising on revaluation of available-for-sale financial assets	43,212	–			43,212
Total comprehensive income/(loss) for the year	268,513	(730)			(126,979)
Total comprehensive income/(loss) for the year attributable to:					
Owners of the Company	281,290	(730)	(10,000)	*9*	(114,202)
			(4,826)	*10*	
			22,856	*11*	
			(28,679)	*12*	
			7,186	*13*	
			(1,143)	*14*	
			(380,156)	*15*	
Non-controlling interests	(12,777)	–			(12,777)
	268,513	(730)			(126,979)

(D) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

	The Group for the year ended 31 December 2014	The Target Group for the year ended 31 December 2014	Pro forma adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*		*Notes*	
OPERATING ACTIVITIES					
Profit/(loss) before taxation from continuing operations	232,874	3,005	(10,000)	*9*	(164,248)
			(3,005)	*10*	
			22,856	*11*	
			(28,679)	*12*	
			(1,143)	*14*	
			(380,156)	*15*	
Profit before taxation from discontinued operations	153	–			153
Adjustments for:					
Amortisation of deferred membership entrance fee	–	(49,208)	49,208	*10*	–
Amortisation of intangible assets	–	46	(46)	*10*	4,140
			4,140	*12*	
Capitalisation of operating lease rental	–	(10,209)	10,209	*10*	–
Depreciation of property, plant and equipment	2,388	16,367	(16,367)	*10*	21,010
			18,622	*12*	
Gain arising on change in fair value upon conversion of convertible notes receivables	(133,759)	–			(133,759)
Gain arising on change in fair value of financial assets at fair value through profit or loss	(27,483)	–			(27,483)
Gain arising on early redemption of convertible notes receivables	(1,611)	–			(1,611)
Gain on deemed disposal of an associate	(7,669)	–			(7,669)
Gain on disposal of available-for-sale financial assets	(66,883)	–			(66,883)
(Gain)/loss on disposal of property, plant and equipment	(139)	2	(2)	*10*	(139)
Gain on disposal of subsidiaries	(1,671)	–			(1,671)
Gain on disposal of trademark	(350)	–			(350)
Impairment loss recognised in respect of goodwill	–	–	380,156	*15*	380,156
Impairment loss recognised in respect other receivables	46,519	–			46,519
Imputed interest income on convertible notes receivables	(7,686)	–			(7,686)
Interest income on bank deposits	(2,179)	(2,330)	2,330	*10*	(2,179)
Interest expenses	406	–			406
Share of results of associates	555	–			555
Share-based payment expenses	10,389	–			10,389
Written down of property, plant and equipment	322	–			322
Written off of inventories	1	–			1

	The Group for the year ended 31 December 2014 HK$'000 (Note 1)	The Target Group for the year ended 31 December 2014 HK$'000 (Note 2)	Pro forma adjustments HK$'000	Notes	The Enlarged Group HK$'000
Operating cash flows before movements in working capital	44,177	(42,327)			49,973
(Increase)/decrease in inventories	(24,486)	1,224	(1,224)	10	(24,486)
Increase in trade receivables	(11,956)	–			(11,956)
Increase in loans receivables	(238,367)	–			(238,367)
Decrease/(increase) in deposits, prepayments and other receivables	5,100	(16,685)	16,685	10	5,100
Increase in financial assets at fair value through profit or loss	(213,372)	–			(213,372)
Increase/(decrease) in trade payables	12,766	(858)	858	10	12,766
(Decrease)/increase in accruals, other payables and receipt in advance	(1,341)	1,430	10,000	9	8,659
			(1,430)	10	
Decrease in deposits from customers	(14)	–			(14)
Increase in deferred revenue	2,131	–	114,282	5	93,557
			(22,856)	11	
Increase in amount due to related companies	–	163,747	(163,747)	10	–
Cash inflow from membership entrance fee	–	27,466	(27,466)	10	–
Cash (used in)/generated from operations	(425,362)	133,997			(318,140)
Interest paid	(58)	–			(58)
Tax paid	(2,735)	–			(2,735)
Net cash (used in)/generated from operating activities	(428,155)	133,997			(320,933)
INVESTING ACTIVITIES					
Acquisition of convertible notes receivables	(40,000)	–			(40,000)
Interest received	2,179	2,330	(2,330)	10	2,179
Interest received from convertible notes receivables	4,241	–			4,241
Net cash inflow/(outflow) of acquisition of subsidiaries	30,658	–	(586,208)	16	(555,550)
Net cash inflow of disposal of subsidiaries	1,999	–			1,999
Payment for deposit for investment	(60,000)	–	60,000	3	–
Placement of restricted bank deposits	(38)	–			(38)
Proceeds from disposal of available-for-sale financial assets	94,170	–			94,170
Proceeds from disposal of property, plant and equipment	160	–			160
Proceeds from early redemption of convertible notes receivables	27,000	–			27,000
Purchase of intangible assets	–	(61)			(61)
Purchase of property, plant and equipment	(870)	(68,606)			(69,476)
Net cash generated from/(used in) investing activities	59,499	(66,337)			(535,376)

	The Group for the year ended 31 December 2014 HK$'000 (Note 1)	The Target Group for the year ended 31 December 2014 HK$'000 (Note 2)	Pro forma adjustments HK$'000	Notes	The Enlarged Group HK$'000
FINANCING ACTIVITIES					
Net proceeds from issue of new shares	70,190	–	402,702	6	472,892
Net proceeds from issue of new shares of a subsidiary	25,933	–			25,933
Proceeds from other borrowings	2,450	–			2,450
Repayment of obligations under finance lease	(293)	–			(293)
Repayment of promissory notes	(7,000)	–			(7,000)
Net cash generated from financing activities	91,280	–			493,982
Net (decrease)/increase in cash and cash equivalents	(277,376)	67,660			(362,327)
Cash and cash equivalents at beginning of year	662,153	13,792			675,945
Effect of foreign exchange rates changes	1	(463)			(462)
Cash and cash equivalents at end of year	384,778	80,989			313,156
Analysis of the balances of cash and cash equivalents					
Cash and cash on hand	384,778	80,989			313,156
Restricted bank deposits	19,701	–			19,701
	404,479	80,989			332,857
Less: restricted bank deposits	(19,701)	–			(19,701)
Included in cash and cash equivalents per the consolidated statement of financial position	384,778	80,989			313,156

Notes to the unaudited pro forma financial information

1. Figures are extracted from the consolidated financial statements of the Group as set out in the annual report of the Company for the year ended 31 December 2014.

2. Figures are extracted from the consolidated statement of financial position as at 30 April 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows for the year ended 31 December 2014, respectively, included in the accountants' report of the Target Group as set out in Appendix II to this circular.

3. The adjustment represents the Consideration which will be settled in the following manner:

   a) HK$60,000,000 of the Consideration has been paid in cash on 11 December 2014;

   b) HK$540,000,000 of the Consideration shall be paid in cash upon completion of the Acquisition; and

   c) The Company shall issue to Jiuhao Health the Share Entitlement Note, which entitles the SEN Holder the right to call for the issue of 1,500,000,0000 ordinary shares of the Company at an issue price of HK$0.70 per ordinary share, (the "**Consideration Shares**"). Under Hong Kong Financial Reporting Standard 3 (Revised) – Business Combinations, acquisition method of accounting should be applied. The fair value of the 1,500,000,000 Consideration Shares of HK$1,072,500,000 as at 31 December 2014 was determined by reference to the theoretical price of ordinary shares of the Company on ex-entitlements basis of the Rights Issue of HK$0.715, which was based on the published closing market price of HK$0.73 per ordinary share as quoted on the Stock Exchange for the last trading day of the year ended 31 December 2014, i.e. 11 December 2014 as if the Acquisition had been completed on 31 December 2014 and is subject to finalisation at completion date of the Acquisition.

4. Upon completion of the Acquisition, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) – Business Combinations.

   For the purpose of the Unaudited Pro Forma Financial Information, the directors of the Company have estimated the fair values of the identifiable assets and liabilities of the Target Group, after taking reference of the valuations report as at 31 March 2015 for the purpose of purchase price allocation prepared by American Appraisal China Limited ("**American Appraisal**"), an independent professional valuer not connected with the Enlarged Group. Such valuation reports are different from that in Appendix V set out in this circular which are in relation to the values of Beijing Bayhood No. 9 Club and the proposed project of hotel villas and high-end hotel apartments to be erected on the land (the "**Subject Land**") adjacent to the club land on which Beijing Bayhood No. 9 Club operates (the "**Club Land**"). No separate valuation reports as at 1 January 2014 and 31 December 2014 were prepared for the purpose of the Unaudited Pro Forma Financial Information. Had these reports been prepared, the amounts of the fair values of the identifiable assets and liabilities at the completion date of the Acquisition and, accordingly, the amount of the Consideration over the fair value of net identifiable assets acquired, i.e. goodwill for the compilation of the Unaudited Pro Forma Financial Information of the Enlarged Group at the completion date of the Acquisition may be different from the amounts presented above and the difference may be significant.

The excess amount of the Consideration over the Group's share of the fair value of the net identifiable assets of the Target Group is recognised as a goodwill.

The goodwill arising on the Acquisition is calculated as follows:

	HK$'000
Fair value of the consideration	1,672,500
Less: fair value of identified assets acquired and liabilities assumed as at 30 April 2015 *(Notes)*	(1,134,366)
Goodwill	538,134

Notes:

	HK$'000
Carrying amounts of the net tangible liabilities of the Target Group as at 30 April 2015	(872,649)
Add: Shareholder's Loan *(Note a)*	1,076,000
fair value adjustment on the property, plant and equipment *(Note b)*	49,716
fair value adjustment on the intangible assets *(Note c)*	1,192,698
Less: carrying amount of motor vehicle under the Motor Vehicle Agreement *(Note d)*	(795)
effect on deferred tax liabilities on fair value adjustment estimated at the tax rate of 25% *(Note e)*	(310,604)
Identified assets acquired and liabilities assumed as at 30 April 2015	1,134,366

a) The adjustment represents the assignment of the Shareholder's Loan of approximately HK$1,076,000,000 from the Vendor to the Company.

b) The adjustment represents the fair value adjustment on property, plant and equipment of approximately HK$49,716,000 with reference to the valuation as at 31 March 2015 prepared by American Appraisal for the purpose of purchase price allocation.

c) The adjustment represents the fair value adjustment on intangible assets of approximately HK$1,192,698 were arrived at by referencing the valuations on the business of the Target Group as at 31 March 2015 prepared by American Appraisal, and taking into account the balances of net working capital, fixed assets, tax payable and deferred revenue, for the purpose of purchase price allocation.

d) The adjustment represents the derecognition of the motor vehicles at carrying amount as at 31 December 2014. Pursuant to the motor vehicle licence agreement (the "**Motor Vehicle Agreement**"), the Jiuhao Health Group will have a right to continue to use the motor vehicles and the relevant licenses registered under BJ Bayhood No. 9 Co for an infinite period at nil consideration. Since the lease term forms substantial part of the assets' economic life, the lease is classified as finance lease even if the legal title was not transferred and the carrying amount of the motor vehicles of approximately HK$795,000 is derecognised from the Enlarged Group.

e) The adjustment represents the deferred tax liabilities adjustment of HK$310,604,000, arising from the fair value adjustments on the property, plant and equipment and the intangible assets based on the applicable income tax rate of 25% in the People's Republic of China (the "**PRC**").

The goodwill is tested for impairment at least annually or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable in accordance with the accounting policies of the Enlarged Group and the requirements of Hong Kong Accounting Standard ("**HKAS**") 36 Impairment of Assets. The results of the Enlarged Group may be affected by impairment loss whenever the recoverable amount of the goodwill is lower than its carrying amount.

The directors of the Company have performed the necessary assessment on impairment in accordance with the requirement under HKAS 36. With reference to the purchase price allocation valuation, the directors of the Company are of the opinion that the recoverable amount of the goodwill was approximately HK$262,052,000. Accordingly, an impairment loss of approximately HK$276,082,000 was recognised in the unaudited pro forma consolidated statement of profit or loss of the Enlarged Group for the year ended 31 December 2014.

The fair values of other assets and liabilities are assumed to be approximately to that of carrying amounts as of the completion date of the Acquisition.

The adjustment also represents consolidation entries for elimination of investment cost of the Company and share capital and reserves of the Target Group.

5. The adjustment represents the deferred revenue arising from the rental income of approximately HK$114,282,000 in accordance with the lease agreement in relation to the lease of assets of the Club Land (the "**Club Lease Agreement**"). Pursuant to the Club Lease Agreement, the Enlarged Group will receive rental income of RMB90,000,000 for the first five-year rental period of the Club Lease Agreement and the rental income will be increased by 30% in each of the subsequent five-year rental period, and such rental income will be recognised on a pro-rata basis as revenue in the Enlarged Group's consolidated statement of profit or loss following the completion of the Acquisition.

6. The adjustment represents the net proceeds from the Rights Issue of approximately HK$402,702,000, which are based on 590,003,243 new ordinary shares of the Company to be allotted and issued under the Rights Issue at the subscription price of HK$0.70 per ordinary share and after deduction of estimated related expenses of approximately HK$10,300,000.

7. The adjustment represents the reclassification from deferred revenue to other payables. Pursuant to the Club Lease Agreement, the Enlarged Group will no longer operate Beijing Bayhood No. 9 Club upon completion of the Acquisition. Upon completion of the Acquisition, the Jiuhao Health Group will continue to run the operation of and be responsible for the decision making of Beijing Bayhood No. 9 Club and the Jiuhao Health Group will be entitled to the revenue and bear the costs associated with the operations of Beijing Bayhood No. 9 Club pursuant to which to the Jiuhao Health Group will (i) continue to be entitled to the income resulting from the operation of Beijing Bayhood No. 9 Club including membership subscription fees, annual membership fees, food and beverage sales, golf club usage (including green fees, the use of golf cart and caddies), golf academy fee and the usage of spa facilities and other recreational facilities; and (ii) bear all costs of the operation of Beijing Bayhood No. 9 Club (except the annual rental payable by BJ Bayhood No. 9 Co to the lessor for the Club Land and depreciation and amortisation expenses) during the term of the Club Lease Agreement. The deferred revenue arising from the membership subscription fees will be reclassified to other payables upon completion of the Acquisition.

8. The adjustment represents the reclassification from amount due to related companies to other payables upon completion of the Acquisition.

9. The adjustment represents estimated acquisition-related costs of approximately HK$10,000,000 which would be recognised in the Enlarged Group's consolidated statement of profit or loss upon completion of the Acquisition. This adjustment does not have continuing effect on the Enlarged Group.

10. The adjustment represents the exclusion of the operating results and cash flows of Beijing Bayhood No. 9 Club for the year ended 31 December 2014 in accordance with the Club Lease Agreement. Pursuant to the Club Lease Agreement, the assets on the Club Land in respect of Beijing Bayhood No. 9 Club will be leased to the Jiuhao Health Group for an initial term of twenty years. Upon completion of the Acquisition, the Jiuhao Health Group will continue to run the operation and be responsible for the decision making of Beijing Bayhood No. 9 Club and the Jiuhao Health Group will be entitled to the revenue and bear the costs associated with the operations of Beijing Bayhood No. 9 Club pursuant to which to the Jiuhao Health Group will (i) continue to be entitled to the income resulting from the operation of Beijing Bayhood No. 9 Club including membership subscription fees, annual membership fees, food and beverage sales, golf club usage (including green fees, the use of golf cart and caddies), golf academy fees and the usage of spa facilities and other recreational facilities; and (ii) bear all costs of the operation of Beijing Bayhood No. 9 Club (except the annual rental payable by BJ Bayhood No. 9 Co to the lessor for the Club Land and depreciation and amortisation expense) during the term of the Club Lease Agreement.

11. The adjustment represents the rental income of approximately HK$22,856,000 for the first year of the rental period under the Club Lease Agreement will be recognised as revenue in the Enlarged Group's consolidated statement of profit or loss on a pro-rata basis over the lease term. This adjustment has a continuing effect on the Enlarged Group.

12. The adjustment represents the cost of sales will be recognised in the Enlarged Group's consolidated statement of profit or loss in accordance with the Club Lease Agreement which comprised (i) the annual rental payable by BJ Bayhood No. 9 Co to the lessor for the Club Land of approximately HK$5,917,000, (ii) depreciation expenses in respect of Beijing Bayhood No. 9 Club shall be borne by BJ Bayhood No. 9 Co of approximately HK$16,136,000, (iii) amortisation expenses of intangible asset in respect of the Club

Land from the fair value adjustments arising on the Acquisition over the remaining operating lease period of approximately HK$4,140,000 and (iv) depreciation expenses in respect of the fair value adjustments on property, plant and equipment over the estimated remaining useful life of approximately HK$2,486,000 had the Acquisition completed on 1 January 2014.

13. The adjustment represents the release of deferred tax liabilities of approximately HK$7,186,000 upon the depreciation and amortisation of the fair value adjustments on the property, plant and equipment and the intangible assets based on the applicable tax rate arising from the Acquisition will be recognised in the Enlarged Group's consolidated statement of profit or loss in accordance with the Club Lease Agreement arising from the calculation below:

	HK$'000
Amortisation expenses of the fair value adjustments on the intangible asset in respect of the Club Land *(note 12)*	4,140
Amortisation expenses of the fair value adjustments on the intangible asset in respect of the Subject Land#	22,118
Depreciation expenses of the fair value adjustments on the property, plant and equipment *(note 12)*	2,486
	28,744
Release of deferred tax liabilities at the PRC Enterprise Income Tax at 25%	7,186

Had the Acquisition completed on 1 January 2014, the amortisation expenses of intangible asset in respect of the Subject Land will be capitalised in construction in progress under property, plant and equipment.

This adjustment has a continuing effect on the Enlarged Group.

14. The adjustment represents the PRC Business Tax at 5% on the rental income recognised. This adjustment has a continuing effect on the Enlarged Group.

15. The adjustments represents the impairment loss recognised in respect of goodwill, assuming that the Acquisition had been completed on 1 January 2014, with reference to the net fair value of the identifiable assets and liabilities of the Target Group as at 31 December 2013 as follows:

The goodwill arising on the Acquisition is calculated as follows:

	HK$'000
Fair value of consideration *(Note a)*	1,747,500
Less: fair value of identified assets acquired and liabilities assumed as at 1 January 2014 *(Notes)*	(1,105,292)
Goodwill	642,208

Notes:

		HK$'000
Carrying amounts of the net tangible assets of the Target Group as at 1 January 2014		129,536
Add:	Shareholder's Loan *(Note b)*	45,063
	fair value adjustment on the property, plant and equipment *(Note c)*	49,716
	fair value adjustment on the intangible assets *(Note d)*	1,192,698
Less:	carrying amount of motor vehicles under the Motor Vehicle Agreement *(Note e)*	(1,117)
	effect on deferred tax liabilities on fair value adjustments estimated at the tax rate of 25% *(Note f)*	(310,604)
Identified assets acquired and liabilities assumed as at 1 January 2014		1,105,292

a) The consideration is calculated as follows:

(i) HK$60,000,000 of the consideration has been paid in cash;

(ii) HK$540,000,000 of the consideration shall be paid in cash upon completion of the Acquisition;

(iii) Under Hong Kong Financial Reporting Standard 3 (Revised) – Business Combinations, acquisition method of accounting should be applied. The SEN consideration is HK$1,147,500,000, representing the fair value of the 1,500,000,000 Consideration Shares at 1 January 2014. The fair value of the 1,500,000,000 Consideration Shares was determined by reference to the theoretical price of ordinary shares of the Company on ex-entitlements basis of the Rights Issue of HK$0.765, which was based on the published closing market price of HK$0.83 per ordinary share as quoted on the Stock Exchange for the last trading day on 31 December 2013 as if the Acquisition had been completed on 1 January 2014 and is subject to finalisation at completion date of the Acquisition.

b) The adjustments represents the assignment of the Shareholder's Loan of approximately HK$45,063,000 from the Vendor to the Company.

c) The adjustments represents the fair value adjustment on the property, plant and equipment of approximately HK$49,716,000 with reference to the valuation as at 31 March 2015 prepared by American Appraisal.

d) The adjustment represents the fair value adjustment on the intangible assets of approximately HK$1,192,698,000 wre arrived at by referencing the valuation on the target business as at 31 March 2015 prepared by American Appraisal, and taking into account the balances of net working capital, fixed assets, tax payable and deferred revenue, for the purpose of purchase price allocation.

e) The adjustments represents the derecognition of the motor vehicles at carrying amount as at 31 December 2013. Pursuant to the Motor Vehicle Agreement, the Jiuhao Health Group will have a right to continue to use the motor vehicle and the relevant licenses registered under BJ Bayhood No. 9 Co for an infinite period at nil consideration. Since the lease term forms substantial part of the assets' economic life, the lease is classified as finance lease even if the legal title was not transferred and the carrying amount of the motor vehicles of approximately HK$1,117,000 is derecognised from the Enlarged Group.

f) The adjustment represents the deferred tax adjustments of HK$310,604,000, arising from the fair value adjustments on the property, plant and equipment and the intangible assets based on the applicable tax rate.

The goodwill is tested for impairment at least annually or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable in accordance with the accounting policies of the Enlarged Group and the requirements of HKAS 36 Impairment of Assets. The results of the Enlarged Group may be affected by impairment loss whenever the recoverable amount of the goodwill is lower than its carrying amount.

The directors of the Company have performed the necessary assessment on impairment in accordance with the requirement under HKAS 36. With reference to the purchase price allocation valuation, the directors of the Company are of the opinion that the recoverable amount of the goodwill was approximately HK$262,052,000. Accordingly, an impairment loss of approximately HK$380,156,000 was recognised in the unaudited pro forma consolidated statement of profit or loss of the Enlarged Group for the year ended 31 December 2014. This adjustment does not have continuing effect on the Enlarged Group.

16. The adjustment reflects the cash outflow as if the Acquisition completed on 1 January 2014:

	HK$'000
Cash consideration of the Acquisition	600,000
Less: cash and cash equivalents held by the Target Group	(13,792)
Net cash outflow from the Acquisition	586,208

This adjustment does not have continuing effect on the Enlarged Group.

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

18. The translation of RMB in HKD in the Unaudited Pro Forma Financial Information was made at a rate of RMB1 to HK$1.2698.

(II) LETTER ON UNAUDITED PRO FORMA STATEMENT OF THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants of Eternity Investment Limited, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, in respect of the unaudited pro forma financial information.

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

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

31 August 2015

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

TO THE DIRECTORS OF ETERNITY INVESTMENT LIMITED

We have completed our assurance engagement to report on the compilation of 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 for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2014, the unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2014, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2014 and related notes as set out on pages 191 to 209 of the circular issued by the Company dated 31 August 2015 (the "**Circular**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages 191 to 209 of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed acquisition of the entire issued share capital of Smart Title Limited (the "**Target Company**") and all the interests, benefits and rights of and in the interest-free shareholder's loan owed by the Target Company on the Group's financial position as at 31 December 2014 and the Group's financial performance and cash flows for the year ended 31 December 2014 as if the transaction had taken place at 31 December 2014 and 1 January 2014 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors of the Company from the Group's 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 of the Company 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 (the "**HKICPA**").

Reporting Accountants' 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 ("**HKSAE**") 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 of the Company 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 the 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 the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2014 or 1 January 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 of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited 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 judgment, 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.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467
Hong Kong

The following is the text of the valuation report prepared for the purpose of incorporation in this circular received from American Appraisal China Limited, being an independent property valuer, in connection with its valuation as at 31 March 2015 of Beijing Bayhood No. 9 Club and the Proposed Development Project.

American Appraisal China Limited
Rooms 701 & 708-710, Gloucester Tower,
The Landmark, 15 Queen's Road Central, Hong Kong
美國評值有限公司
香港中環皇后大道中15號置地廣場告羅士打大廈701及708−710室
Tel +852 2281 0188/ Fax +852 2511 9626

Leading / Thinking / Performing

American Appraisal

August 31, 2015

The Directors
Eternity Investment Limited
Unit 3811, Shun Tak Centre,
West Tower, 168-200 Connaught Road,
Central, Hong Kong

Our Ref.: 14/2446

Dear Sirs,

Pursuant to the terms, conditions and purpose of an engagement agreement dated November 25, 2014 between Eternity Investment Limited ("**Eternity**", the "**Company**" or "**Client**") and American Appraisal China Limited ("**American Appraisal**"), we have completed the valuation analysis of the 100% interest in i) Beijing Bayhood No. 9 Club, and ii) the proposed project of hotel villas and high-end hotel apartments to be erected on a piece of 580 Chinese acre land adjacent to Beijing Bayhood No. 9 Club (the "**Valuation**"). For the information of the shareholders of the Company, we are also instructed to review the value in use calculation of Beijing Bayhood No. 9 Club for impairment assessment based on the discounted cash-flow of rental income at market required rate of return in accordance with an asset leasing agreement as described herein this letter as if in place (the "**Leasing Income Valuation**").

We understand that the Company contemplates the acquisition of the above mentioned interest (the "**Target Businesses**") currently owned by China Jiuhao Health Industry Corporation Limited ("**Jiuhao Health**"). The Valuation is prepared as of March 31, 2015 (the "**Valuation Date**") using the assumptions and information provided by the management of the Company (the "**Management**").

We understand that the Company, with our consent, will disclose this letter in the circular to the shareholders and to The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

This report identifies the asset appraised, describes the scope of work, states the basis of value, specifies key inputs and assumptions, explains the valuation methodology utilized, and presents our conclusion of value. In preparing our report, we aim to largely comply with the International Valuation Standards ("**IVS**") recommended by the International Valuation Standards Council ("**IVSC**"). This letter is intended to present only a summary discussion of the data, reasoning, major assumptions and analyses that were used by American Appraisal to develop the opinion of value. Supporting documentation concerning these matters has been retained in our work papers.

Purpose of Valuation and Scenario Analysis

The Company intends to acquire 100% equity interest of Smart Title Limited ("**Smart Title**" or the "**Target Company**"), which is the ultimate holding company of the Target Businesses (the "**Transaction**"). As the Transaction constitutes a very substantial acquisition for Eternity under Chapter 14 of the Listing Rules, a valuation report on the Target Businesses is included in the circular for dispatch to the shareholders of the Company for the information purpose.

In formulating our opinion and with Client's approval and agreement, we have relied upon completeness, accuracy and fair representation of operational, financial information, business plan and financial forecast provided by the Company. Since the proposed project of hotel villas and high-end hotel apartments to be erected on a piece of 580 Chinese acre land adjacent to Beijing Bayhood No. 9 Club is still under construction, without historical track records, its fair value is subject to numerous assumptions adopted in the business plan and financial forecast. To the extent that any of these assumptions or facts changed, the result of our fair value conclusion should be different.

The intended use of the Valuation is to serve as basis for the compliance of the Listing Rules. The ultimate transaction, if happens, and the corresponding acquisition prices would be the results of negotiations between the transacting parties. Our valuation only form part of the information for the Client to consider and the responsibility for determining the market value and the acquisition price of the Target Company rests solely with the Client. The results of our analysis should not be construed to be a fairness opinion, a solvency opinion, or an investment recommendation. It is inappropriate to use our valuation report for purpose other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment of the financial projections and underlying assumptions. We accept no responsibility or liability to any third party whatsoever in respect of the contents.

Basis of Value

We have appraised the Target Businesses on the basis of market value on continued use premise. Market value is defined under IVS as the estimated amount at which the company might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, and with the buyer and seller contemplating retention of the business for continuation of current operations unless the break-up of the business or the sale of its assets would yield greater investment returns.

Market value is generally interpreted as fair value for accounting defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Value in use as defined under Hong Kong Accounting Standard ("**HKAS**") is the present value of the future cash flows expected to be devised from the asset or cash-generating unit and is one of two measures other than fair value to determine the recovering amount of long life assets.

Description of the Target Company

The Target Company is a limited liability company established in the BVI and is an investment holding company. The Target Company and its subsidiaries (the "**Target Group**") are principally engaged in the provision of recreational and wellness services through the management of Beijing Bayhood No. 9 Club. The major assets owned by the Target Group are as follows:

- The rights to construct and operate the club facilities of Beijing Bayhood No. 9 Club up to December 31, 2051, and
- The rights to develop and operate on a piece of 580 Chinese acre land adjacent to Beijing Bayhood No. 9 Club up to January 30, 2062.

The Target Group does not own the land use rights of the land on which Beijing Bayhood No. 9 Club operates (the "**Club Land**"), and the land of approximately 580 Chinese acres (equivalent to approximately 387,000 square meters) adjacent to the Club Land (the "**Subject Land**"). Pursuant to a series of contractual arrangements, the Target Group enjoys the contractual rights of development of and operation on the Club Land and the Subject Land up to December 31, 2051 and January 30, 2062 respectively. For details of the relevant contractual arrangements and the PRC legal adviser's opinion, please refer to the "Information of the Target Group" as provided in the circular to the shareholders.

Description of the Target Businesses

Beijing Bayhood No. 9 Club (the "Golf Club")

Located in the near city centre of Beijing, Beijing Bayhood No. 9 Club is an exclusive premier membership-based golf club and resort, which comprises of a an 18-hole golf course, driving range facilities, theme restaurants and cafes, etc.

Over the past few years, the revenue of Beijing Bayhood No. 9 Club mainly came from sale of membership, golf course and theme restaurants operation. Up to December 2014, the club house had more than 480 members, while under the current estimation by the management, it can serve at maximum of approximately 1,200 members. Being one of the largest club houses in Beijing, it offers golf course and resort residences to high-end customers. The average entrance membership fee in 2014 was approximately RMB1 million per new member. Except the green fees with 50% discount offered to members, the club house charges the same fees for both members and non-members for using the golf and recreational facilities.

Upon the expiry on December 31, 2051, Beijing Bayhood No. 9 Club shall be obligated to transfer the ownership of the club facilities to the counterparty. Based on the agreed terms, Beijing Bayhood No. 9 Club has to pay an annual fee of RMB4 million as rental expenses to the lessor for the Club Land. The annual fee is subject to an increase of 5% every 5 years. During the year ended December 31, 2014, Beijing Bayhood No. 9 Club recorded revenue and net profit of approximately RMB87.6 million and RMB2.3 million respectively.

The proposed project of hotel villas and high-end hotel apartments to be erected on a piece of 580 Chinese acre land adjacent to Beijing Bayhood No. 9 Club (the "Proposed Project")

Located in Chaoyang District of Beijing and adjacent to Beijing Bayhood No. 9 Club, the Proposed Project is intended to be developed into i) a low-density deluxe hotel villas community, with total gross floor area of approximately 55,000 square meters, and ii) a high-end hotel apartment complex with total gross floor area of 25,000 square meters.

Following business plan of the Company, the construction of the Proposed Project is divided into three phases. The first phase development involves erecting 9 hotel villas, which has been commenced in August 2013 and the construction is substantially completed. The second phase development involves erecting another 20 to 30 hotel villas, which is expected to be commenced in the third quarter of 2015 and completed in the second quarter of 2016. The third phase development of luxury high-end hotel apartment complex which is expected to be commenced in the third quarter of 2016 and completed in the second quarter of 2017.

With the right to develop and operate on the Subject Land, and based on the business plan provided by the Company, all the villas and hotel apartments shall run in the form hotel or service apartments for short to medium term leasing. Also, pursuant to the agreed terms, the Target Group has to pay an annual fee of RMB6 million as pre-determined annual distribution to the lessor. The annual fee is subject to an increase of 10% every 5 years.

Financial Overview

Beijing Bayhood No. 9 Club

We were provided with the financial statements of Beijing Bayhood No. 9 Club for the 4 years ended December 31, 2014 summarized as follows:

RMB ’000 unless specified otherwise	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Revenue	153,956	135,990	112,002	87,625
Earnings Before Interest and Tax (“**EBIT**”)	49,738	57,250	13,127	1,129
EBIT Margin	32.3%	42.1%	11.7%	1.3%
Net Asset Value	63,767	107,268	119,005	121,296

The Golf Club increased the entrance fees from average of RMB1.2 million in 2011 to RMB1.6 million in 2012, while new members decreased from 39 in 2011 to 11 in 2012. By offering certain discount on the entrance fees, there were 23 new members in 2013. In 2014, the Golf Club recorded 17 new members with average subscription price further dropped to approximately RMB1 million. Due to the challenging operating environment in China, revenue from food and beverage decreased significantly from RMB45 million in 2011 to RMB11 million in 2014. Overall, total revenues dropped from RMB154 million in 2011 to RMB136 million in 2012, and further decreased to RMB112 million in 2013 and RMB88 million in 2014.

Over the past 4 years, as total revenue dropped, while many of the operating costs and expenses, such as depreciation, rental fees, staff costs and maintenance costs, etc. are relatively fixed in nature, therefore, EBIT decreased from RMB50 million in 2011 to RMB1 million in 2014. In term of the EBIT margin, it dropped from 32% in 2011 to 1.3% in 2014.

Without substantial business expansion, the net book value of fixed assets gradually reduced following the depreciation schedule. There was no debt at all. Due to the nature of club house business, no substantial account receivables and inventories are required. Net current liabilities were observed over the past few years. The long-term liabilities mainly comprised of deferred revenue, which represented sales of membership fees to be amortized over its estimated useful lives.

The Proposed Project

We were provided with the financial statements of the Proposed Project for the 3 years ended December 31, 2014 and the management account for period ended March 31, 2015

As the Proposed Project is still in the process of construction, no revenue was recorded in the financial statement and most direct costs spent were related to the annual fees payable to the lessor. Major asset as shown in the balances sheet includes construction in progress amounted to RMB72.2 million, while unpaid construction cost for phase 1 of the Proposed Project was approximately RMB30.7 million as of the Valuation Date.

Economic Outlook

The major variables reviewed in order to evaluate the overall state of the national economy include the current level of and changes in the gross domestic product (GDP), exchange rate, and the inflation rate. An overview of economy of China, where businesses of the Target Company are transacted, was essential to develop this outlook. The following economic discussion was extracted from Economic Intelligence Unit ("**EIU**") "China: Country outlook" issued in March 2015.

Economic Growth

The pace of economic growth slowed marginally in 2014, to 7.4%, and EIU expect a further deceleration in 2015, to 7.2%. The impact of falling global oil prices in terms of its cooling effect on inflation will support real household income growth, thereby helping to underpin increases in private consumption. It will also give the People's Bank of China (PBC, the central bank) scope to cut interest rates. Investment growth will continue to slow, moderating from an estimated 7.2% in 2014 to 6.9% in 2015. However, it will be supported by a modest upturn in the property market and by supportive fiscal policy.

Inflation

A sharp drop in global oil prices will cause average consumer price inflation to slow to 1.2% in 2015, from 2.1% in 2014, owing to the fact that world petroleum prices have a strong influence on local food and transport costs. This will add to the existing downward pressures on inflation stemming from overcapacity in China's industrial and property sectors. EIU expect annual inflation to accelerate modestly in 2016-19, to 2.8% on average, as excess capacity is curbed through tighter credit policies and as global oil prices rise.

Exchange Rate

The renminbi is expected to weaken against the US dollar in 2015, depreciating on an annual average basis for the first time since 1994. The government is unlikely to force the currency lower; instead, the trend will be market-driven. China's financial authorities remain committed in the long term to scaling back exchange-rate intervention, as this is tied to policy goals such as rebalancing the economy and internationalising the renminbi. EIU forecast that the currency will rebound in 2016-17, before depreciating again in 2018-19 as the current account moves into deficit. The renminbi's daily trading band against the US dollar was widened from 1% to 2% in March 2014. Further widening is possible in 2015-19, but the PBC will continue to intervene to smooth volatility, meaning that the full width of the band will rarely be exploited. As the currency's value moves close to a market-determined level in the next five years there will be greater day-to-day volatility, including bouts of depreciation and appreciation.

Industry Overview

The industry discussions below were extracted from "Hotels and Motels in China" issued by Datamonitor in April 2014, "China Tourism Industry, 2H 2013" issued by Emerging Markets District January, 2014, "2014 China Hotel Industry Study" issued by China Tourist Hotels Association and Horwath HTL in Sept 2014, "Quarterly Construction Cost Update" issued by Rider Levett Bucknall in March 2015, "China Golf Industry Outlook to 2018 – Steered by Rising Number of Golf Courses and Golfer's Population" by Ken Research published in July 2014 and feasible studies prepared by the Management.

Overview of tourism industry in the People's Republic of China ("PRC")

The number of domestic tourists in China increased at CAGR of 13.4% from RMB1.39 billion to RMB2.96 billion between 2006 and 2012. In the same period, the CAGR of China's tourism revenue expanded 19.5% from RMB0.89 trillion to RMB2.59 trillion.

The number of visitor arrival in China reached 1.32 billion in 2012, representing a 2.2% decrease from a year earlier. On the other hand, foreign currency tourism revenue increased by 3.2% to USD 50.0 billion. Long distance transport was the largest revenue segment of foreign visitors (34.5%). Shopping (22.3%) and accommodation (10.4%) coupled with revenue from long distance transport accounted for about two-thirds of total tourism revenue from visitors in 2012.

Overview of Golf Industry in the PRC

China golf equipment and apparels market structure has changed in terms of the business model and distribution platform in the past one decade. The golf equipment and apparels market in China which includes golf clubs, golf balls and golf related accessories has expanded rapidly in the recent years. The growth of the overall GDP in the country, rising income levels and shifting consumption preferences of increasingly affluent consumers have stimulated the demand for golf equipment in the country. A combination of government support, golf associations and promotion of sporting programs such as golf for the public, China's golfers which are gaining recognition at international golf events, world media exposure and rapid development of the economy have been the key drivers responsible for the strong growth of China golf equipment and apparels market in the last couple of years.

It has been observed that China golf equipment and apparels market is in the growing stage and has entered a phase rapid expansion in the last few years, growing a CAGR of 9.7% from 2008 to 2013. Amongst the 29 provinces of China, Beijing is the foremost famous market for golf equipment and apparels in the China which is followed by Shanghai, Guangzhou, Zhejiang and Jiangsu cities. This was one the fact that being the capital of China, many wealthy people, bureaucrats and corporate managers reside in Beijing. Additionally, Beijing has one of the highest numbers of golf courses in China. Beijing region accounted for 11.5% share in terms of 18hole golf facilities distribution in China in 2013.

However, despite this development and growth, the market for golf equipment and apparels in China remains challenging with widespread competition amongst golf brands. Consumers are offered wide range of products to choose from, thereby giving them opportunity to compare price, quality and design. As a result, only products that significantly differentiate themselves in the market are capable of capturing the golfers and consumers demand. Some of the well known golf brands in the market are TaylorMade-Adidas Golf, Titleist, Callaway, Honma, Mizuno, XXIO, Nike, Srixon, Ping, Cleveland, Adams Golf, Maruman, Wilson Staff and Macgregor. TaylorMade-Adidas Golf has maintained the market leader position in the overall golf equipment and apparels market in China as of 2013. The vast golf product range and continuous R&D endeavors along with its popularity among the masses have been the key factors responsible for the dominant share of TaylorMade in China.

In future, the growth of golf equipment and apparels market in the next five years is expected to be moderate. The golf equipment and apparel revenue in the country will reach to reach USD 1.6 billion in 2018. Callaway Spokesperson said "China golf equipment and apparels market will not increase very fast in the next five years. However, golfer's population is expected to incline. Further, the market completion is anticipated become more severe since many golf brands are expanding their business in the country." Thus, the overall golf equipment and apparel market is anticipated to grow consistently at a CAGR of 10.8% during 2013 and 2018, similar to the last five year market growth trend. The various factors such as golf course developments, increasing people participation in golf, and incline in disposable income would be the primary factors that would be responsible for the growth of the golf equipment and apparels in China until 2018.

Overview of hotel and motels industry in the PRC

The Chinese hotels & motels industry had total revenue of US$70.1 billion in 2013, representing a compound annual growth rate (CAGR) of 14.9% between 2009 and 2013. The performance of the industry is forecast to decelerate, with an anticipated CAGR of 12.3% for the five year period 2013-2018, which is expected to drive the industry to a value of US$124.9 billion by the end of 2015.

The hotels and motels industry is dominated by large international players, who compete intensely for a share of the market amongst themselves and with numerous smaller independent players. Within the hotels and motels industry, where switching costs are negligible and competing on price alone is no longer a key to success, brand recognition and innovation helps to attract first-time customers as well as repeat business. Buyers include corporate and leisure customers. A new substitute in the form of private rentals, widely available through online services such as Airbnb and FlipKey, is a potential threat to the industry. Globalization is an important key driver within the industry, with emerging and developing markets offering significant opportunities; however, such expansion also involves employing various business strategies to account for cultural and regulatory differences, resulting in extra costs.

By referencing China Hotel Industry Study 2011 and Quarterly Construction Cost Update, overall occupancy rate, EBITDA margin of 5-star hotels and construction cost in China were summarized in the table below.

Table 1 – Occupancy rate, profit margin and average construction cost

		Beijing	**Shanghai**	**China**
i)	5-star hotels occupancy rate and profit margin in 2013 *(note 1)*			
	Sample size as no. of hotel	54	56	444
	Occupancy rate	65.6%	60.3%	55.7%
	EBITDA margin	37.2%	33.2%	31%
ii)	Approximate order of construction cost *(note 2)*			
	Cost per square meter in Q4, 2014 (RMB)			
	House, high quality	4,650 – 6,400	4,500 – 6,300	N/A
	5-star hotels	12,700 -16,900	12,600 – 16,600	N/A

Note 1: Sourced from 2014 China Hotel Industry Study issued by China Tourist Hotels Association ("**CTHA**") and Horwath HTL. CTHA is a national non-profit organization formed in a voluntary manner with 2,700 members including local hotels, hotel management companies, suppliers and other relevant industry entities in China. Horwath HTL is management consulting division of Crowe Horwath International, an integrated professional organization of accounting and management consulting firm

Note 2: Sourced from Quarterly Construction Cost Update issued by Rider Levett Bucknall, an international professional quantity surveying firm

Information Sources and Key Assumptions

We have discussions with the Management with regard to the history of the Target Group, background of Beijing Bayhood No. 9 Club, the contractual rights to develop and operate on the Club Land and the Subject Land, prospects of the Proposed Project and have performed an on-site inspection in early December 2014. As a part of due diligence, we conducted an analysis of the economic outlook, industry overview and competitive environment to understand the demand and supply situation. In assessing the basis of the financial projections provided by the Management (the "**Financial Projections**"), we also performed a search and analysis of comparable companies, a review of certain financial data, operating statistics and other relevant documents. We consider that the Financial Projections and assumptions provided by the Management were prepared with due care and consideration. Where appropriate, the most current information obtained during our valuation due diligence was used. In addition, certain adjustments were made to expect operating and cost data as provided in the Financial Projection in respect of the future operation of the Target Group provided to us by the Management.

As mentioned on the intended use of the valuation, the results of our analysis should not be construed to be a fairness opinion, a solvency opinion, or an investment recommendation. The indicated value of the Target Businesses is derived based on the assumptions provided by the Management. In considering our analysis, we made reference to or reviewed the following major documents and data:

- Financial Projections prepared by the Management

- Financial statements of Beijing Bayhood No. 9 Club for the year ended December 31, 2011, December 31, 2012, December 31, 2013, December 31, 2014 and three months period from January 1, 2015 to March 31, 2015

- Financial statements of the Proposed Project for the year ended December 31, 2012, December 31, 2013, December 31, 2014 and three months period from January 1, 2015 to March 31, 2015

- A copy of the Joint Construction and Operation Agreement dated December 20, 2005

- A copy of the supplementary agreement of the Joint Construction and Operation Agreement dated March 26, 2012

- A copy of Beihu Cooperation Agreement dated January 30, 2012

- A copy of agreement dated July 22, 2014 in respect of extending the cooperation period on the Subject Land from May 31, 2048 to January 30, 2062

- Breakdown of historical revenue, cost of revenue and operating expenses of Beijing Bayhood No. 9 Club

- Breakdown of member list, membership fees and associated amortization income

- Breakdown of construction cost incurred in the phase 1 of the Proposed Project

- Other industry reports sourced independently

We assumed that the data we obtained in the course of our valuation, along with the opinions and representations provided to us by the Company are true and accurate and accepted them without independent verification except as expressly described herein. We have no reason to suspect that any material facts have been omitted, nor are we aware of any facts or circumstances, which would render the information, opinion and representations made to us to be untrue, inaccurate or misleading. In arriving at our opinion of value, we have considered the following principal factors:

- stages of development of the Target Businesses;

- the historical cost, current financial condition of the Target Businesses;

- the Financial Projections provided by the Management

- the economic outlook for China and specific competitive environments affecting the industry of the Target Businesses

- the legal and regulatory issue of the Target Businesses in general

- the operating risk of the Target Businesses in general

- the experience of management team in the Target Businesses

Due to the changing environments in which Target Businesses are operating, a number of assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation are:

- no major changes are expected in political, legal and economic conditions in China;
- regulatory environment and market conditions for hotel industry will be developing according to prevailing market expectations;
- there will be no major changes in the current taxation law in China;
- the Target Group will not be constrained by the availability of finance or any other political or regulatory risks;
- exchange rates and interest rates will not differ materially from prevailing market expectations; and
- the Target Group will retain competent management, key personnel and technical staff to support their ongoing operations.

Valuation Methodology Overview

In the appraisal of the equity, or the net assets, of a business, regardless of their diversity, location, or technological complexity, there are three basic approaches to value. The descriptive titles typically attached to these approaches are cost, income, and market. In normal circumstances, the appraiser is obliged to consider all three approaches, as any, or perhaps all, may provide reliable measures of value.

Cost approach established value based on the cost of reproducing or replacing the property less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. This approach might be considered the most consistently reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to assets appraised.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent property with similar risk.

Market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established used market may be appraised by this approach.

To develop our opinion of value, the three generally accepted approaches to value are considered: cost, market and income. While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of a going concern, as it does not capture future earning potential of the business. Thus it is not utilized in the valuation.

In membership-based club house industry, since the business values of entities are mainly driven by a few factors, such as new members to be developed, membership fees and maximum members of the club house, etc, the most commonly used method for investment decision making within the industry is net present value (NPV) analysis/discounted cash flow (DCF) analysis. Considered that the above factors are highly subject to the stage of the development, usage utilization, location, revenue recognition and the differentiation of services, club houses may not be directly comparable across the industry and application of market approach is not practical. Therefore, in forming our opinion, we rely upon the income approach to prepare a business enterprise value analysis of Beijing Bayhood No. 9 Club.

To appraise the Proposed Project, because it is in the progress of construction and has no operation before, in forming our opinion, we rely upon the income approach to prepare this valuation analysis.

We consider that departing from the IVS, in respect of using various approaches to arrive at a valuation conclusion and the reliance on income approach only are permitted based on the reasons above will not render the indicative value so derived not credible for intended use of this proposal. From the Management's point of view, the value derived from the income approach is considered reasonably sufficient for the purpose of disclosure and is then further reconciled with market comparables identified as reasonableness check. The Management is also fully aware of our approach and scope of work.

Income Approach

Discounted Cash Flow method known as a form of the income approach was used to value the Target Businesses. This method explicitly recognizes that the current value of an investment is premised upon the expected receipt of future economic benefits such as periodic income, cost savings, or sale proceeds. Indication of value is developed by discounting future net cash flow to the present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment. Discounted Cash Flow analysis is based on the timing on the occurrence of future free cash flows attributable to the Target Businesses and does not involve the application of accounting policies which govern income and expenses recognized on accrual basis and matching principle. As Discounted Cash Flow method is a cash flow concept, while accounting policy focuses on accrual basis, we do not normally apply accounting policies in the Discounted Cash Flow method for the reason of simplicity, as this method requires taking into account the timing on the occurrence of future cash flows.

Beijing Bayhood No. 9 Club

Revenue

Revenue is mainly derived from sales of membership, golf course revenue and theme restaurant The remaining is accounted for the sales of merchandise and rental income of VIP room. Based on the following key assumptions, revenue on cash flow basis was projected to increase gradually from RMB87.6 million in 2014 to RMB144 million in 2018 at compound annual growth rate ("CAGR") of 13%. The increase is mainly due to the rapid growth in membership and is above the 4.2% CAGR of China hotel and motels industry value from 2014 to 2018. In the Discounted Cash Flow Analysis, we consider the time value of income when received instead of the revenue on accrual basis.

- *Membership fees*

  Membership fees include the entrance fees which are up-front registration fee and annual fees. The entrance fees received are considered as cash-inflows in the discounted cash flow analysis and would be deferred and recognized as revenue based upon historical usage pattern of existing members for the calculation of income tax. It is expected 45 new members in each year during 2015 to 2019 with the establishment of the villa nearby. After that, 30 new members are expected. Per management, the establishment of the villa can attract more people to use the golf facilities so that more cross selling will be done. Membership will reach the maximum number of 1,200 in year 2036. Entrance fees will grow at 8% in every 4 years. Annual fees are calculated from the number of members in previous year multiplied with the unit annual fee. Such unit annual fee is expected to grow at 3% up to year when members reaching 1,200.

  The forecast number of members and membership fees are set out below:

	2014	2015	2016	2017	2018	2019	2020	2021
Members (yr end)	481	526	571	616	661	706	736	766
New Members		45	45	45	45	45	30	30
Growth		9%	9%	8%	7%	7%	4%	4%

	2022	2023	2024	2025	2026	2027	2028	2029
Members (yr end)	796	826	856	886	916	946	976	1,006
New Members	30	30	30	30	30	30	30	30
Growth	4%	4%	4%	4%	3%	3%	3%	3%

	2030	2031	2032	2033	2034	2035	2036	2037
Members (yr end)	1,036	1,066	1,096	1,126	1,156	1,186	1,200	1,200
New Members	30	30	30	30	30	30	14	0
Growth	3%	3%	3%	3%	3%	3%	1%	0%

Membership Fees

RMB'000	2014	2015	2016	2017	2018	2019	2020	2021
Entrance	991	1,382	1,382	1,382	1,382	1,493	1,493	1,493
Annual	8.1	8.4	8.6	8.9	9.1	9.4	9.7	10.0

RMB'000	2022	2023	2024	2025	2026	2027	2028	2029
Entrance	1,493	1,612	1,612	1,612	1,612	1,741	1,741	1,741
Annual	10.3	10.6	10.9	11.2	11.6	11.9	12.3	12.6

RMB'000	2030	2031	2032	2033	2034	2035	2036	2037
Entrance	1,741	1,881	1,881	1,881	1,881	2,031	2,031	2,031
Annual	13.0	13.4	13.8	14.2	14.7	15.1	15.6	15.4

- *Golf course revenue*

  Golf course revenue comprised of green fee, caddy fee, buggy fee and driving range fee. Golf fee will grow at 3% and accounts for the number of members until year when members reaching 1,200. For others, they will grow at approximately 3% annually until year when members reaching 1,200.

- *Theme restaurant*

  Theme restaurant in the Golf Club provides premier dining service to high-end customers in Beijing. The Management expected that the revenue from theme restaurant would increase annually by 3% and accounts for the number of members until year when members reaching 1,200.

Gross profit

Cost of revenue comprised of business tax, food and beverage, rental expenses, depreciation, material consumption and salaries. With the increase of revenue, the gross profit margin was assumed to rise because except for the food and beverage costs, other key components of cost of sales are relatively fixed in nature (e.g. depreciation), growing in a much lower rate than growth in revenue (e.g. operating lease payment which grows 5% in every 5 years), or growing in line with expected inflation rate in China. Accordingly, the overall growth rate in revenue is higher than the overall growth rate in cost of sales, leading to increasing trend of gross profit margin. The projected gross margin (average 57.6% during 2014 and 2037) is higher than the median of comparable companies which is 25.3% over the past 5 years, but is in line with the historical range of 45% – 66% over the past three years of the Golf Club.

For food and beverage, they are expected to keep the same margin in 2014. For operating lease payment, the amount was estimated according to the Joint Construction and Operation Agreement entered in December 2005. According to the terms, the annual operating lease payment is increased by 5% over every 5 years. The depreciation charges were estimated according to the historical track record and depreciation policy of the Golf Club. 5% on sales is applied for the calculation of the business tax.

Operating expenses

Operating expenses include general administrative items, advertising expenses, depreciation, amortization and maintenance capital expenditure. As most items were assumed to grow at 3% per annum which is line with the expected inflation in China, the overall operating expenses as percentage of revenue was projected to range from 25.3% to 34.7% during the period from 2015 to 2037, causing the earnings before interest and tax (EBIT) margin increase from 1.3% in 2014 to 23% in 2037.

Business and Income tax

Industry standard business tax and income tax policy were applied to the Golf Club in China in the discounted cash flow analysis.

Capital expenditure

Management assumed that insignificant capital expenditure would be required for building, structures and golf courses in the projection period.

Working capital

Due to the nature of club house business, no substantial amounts of account receivable and inventory are required. Net working liabilities were observed in historical track record of the Golf Club. Thus, no working capital was projected by the Management.

The Proposed Project

Revenue

By referencing the average room rate and occupancy rate for high-end hotels in Beijing, it was assumed the Proposed Project could charge at RMB50 per square meters per day with annual occupancy rate of 60%, taking into account the seasonal factors during the year. Since inflation was expected in China, annual growth rate of 3% was assumed on the rental charges. The growth rate is in line with the forecast of consumer price index in next few years downloaded from Bloomberg.

Business, Property and Income tax

Industry standard business tax and income tax policy were applied in the discounted cash flow analysis.

Operating expenses and EBITDA

Operating expenses include land use right payment, general administrative expenses, salaries, depreciation, and overhead etc. For the land use right payment, the amount was estimated according to the Beihu Cooperation Agreement, which is RMB6 million per annum with 10% increase in every 5 years. Without historical track record as reference, the Management assumed the Proposed Project could achieve the operating results as the peers, which is around 35% of revenue in terms of EBITDA margin. It is in line with the result of 37.2%, come up from the samples of 5-star hotels in Beijing as shown in the Table 1 of Industry Overview.

Capital expenditure

Based on the current business plan, the Management assumed the total investment cost would be approximately RMB998.7 million, including RMB960 million to construct the villa and high-end hotel apartments, and RMB38.7 million to make the gardening and green landscapes. Since the construction of phase 1 is substantially completed, progress payments have been made and remaining investment cost would be approximately RMB921.4 million.

With planned total floor area of 80,000 square meters to be built on the Subject Land which has total area of 387,000 square meters, the average initial cost to build up the villa and gardening would be around RMB12,000 and RMB100 per square meter respectively, in line with the range of high end houses and 5-star hotels as discussed in Industry Overview and the unit cost of RMB70 per square meter for the construction of gardening observed from Shenzhen Construction Engineering Price Information issued in November 2013.

Consistent with the construction plan of the Company, the remaining investment cost would be paid from 2015 to 2017. From 2018 onwards, the capital expenditure would approximate to annual depreciation charges on the initial investment cost for general maintenance. Given the long operational period up to 2061, 3% annual growth was assumed on capital expenditure.

Working capital

Due to the nature of hotel or services apartment business, no substantial amounts of account receivable or inventory are required. Net working liabilities were observed in historical track record of comparable companies or the industry statistics. Thus, no working capital was projected by the Management.

Discount rate

The rate at which the annual net cash flows discounted to present value is based on the estimated weighted average cost of capital ("WACC"), which incorporates the cost of equity and debt, weighted by the proportionate amount of each source of capital in the capital structure.

WACC Computation:

$$WACC = K_e * (Eq/IC) + K_d * (D/IC)$$

Where:

K_e = Cost of equity
Eq = Equity
IC = Invested capital (equity plus all interest bearing debt)
K_d = After-tax cost of debt
D = Debt

Given that the Golf Club is all equity financing and the Proposed Project is in its early stage, we only consider the cost of equity in determining the discount rate in the Valuation. The cost of equity for the valuation was developed through the application of the Capital Asset Pricing Model ("**CAPM**"), which is the most commonly adopted method of estimating the cost of equity. CAPM states that the cost of equity is the risk-free rate plus a linear function of a measure of systematic risk ("**Beta**") times equity market premium in general. In estimating the Beta, we have observed the share price movement relative to overall equity market index of several listed comparable companies engaged in golf course and hotel business.

Because there is no listed company with golf course operation in China, we have identified four comparable companies below with sufficient trading history on a best effort and unbiased selection basis.

Beijing Bayhood No. 9 Club

Comparable Companies	Bloomberg Code
Accordia Golf Co Ltd	2131 JP
PGM Holdings KK	2466 JP
SRI Sports Ltd	7825 JP
ClubCorp Holdings Inc	MYCC US

We have further added 6% unsystematic risk premium due to the revenue size and highly volatile of the historical earnings of the Golf Club as compared with the comparable companies.

For the Proposed Project, we applied two criteria to search comparable companies in this regard: i) the PRC companies engage in hotel business without ownership on hotel property, and ii) international brands providing high-end hotel services. It is based on the consideration that the Target Group does not have the ownership on the Subject Land and the target customers or positioning of the Proposed Project is similar to those international brands in terms of services, charging rate, development cost, low density nature and green surrounding area. By using the above selection criteria, the cost of equity solely derived from the first batch of comparable companies as the measure of systematic risks was approximately 10.2% and, as compared with 10.8% before project specific risks adopted in this valuation, has no substantial difference. As such, selected comparable companies as set out below are regarded generally to be subjected to the same systematic risks as the Proposed Project.

The Proposed Project

Comparable Companies	Bloomberg Code
Home Inns & Hotel Management Inc	HMN US
China Lodging Group Ltd	HTHT US
7 Days Group Holdings Ltd	SVN US
Shangri-La Asia Ltd	69HK
Mandarin Oriental International Ltd	MAND SP
Intercontinental Hotels Group PLC	IHG LN
Hyatt Hotels Corp	H US
Marriott International Inc	MAR US
HongKong & Shanghai Hotels	45 HK
Hui Xian Real Estate Investment Trust	87001 HK

To account for the non-diversifiable risk borne by investment in a single location operation, including the early stage of development of the Proposed Project, experience of the Company's management team, relatively new brand recognition compared to comparable companies, and ramp up period to achieve the industrial level in terms of occupancy rate and profitability margin adopted in the Financial Projections, while the uniqueness of location next to golf course would create certain synergies to better secure source of revenues, which lower the operation risk, a property related project-specific risk premium of 2.5% was also added subjectively to cost of equity. Size premium is generally not applicable to properties under development which is more location driven instead of scalability and synergy effect of business.

After considered the overall non-diversified risks on the Golf Club and the Proposed Project as described above, the project specific risk premium of 6% and 2.5% was judgmentally assigned respectively. Should the project specific risk premium change from different perspectives, the discount rate (WACC) and the indicated market value of the Target Businesses would be different. The associated impacts on the market value conclusion have been illustrated under the section of Sensitivity Analysis below.

The computation of the estimated cost of equity is shown as follows:

$K_e = R_f + ERP \times Beta + Alpha$

Where

			The Golf Club	The Proposed Project	
K_e	= Required return on equity				
R_f	= Risk-free rate of return	=	4.22%	4.22%	R_f is based on the yield on China government long-term bond with maturity in 2060 as of the Valuation Date.
β	= Beta	=	0.48	0.86	Beta is a measure of the relationship between industry risk and the aggregate market. It is based on the betas of the selected comparable companies.
ERP	= Equity risk premium	=	7.64%	7.64%	The ERP is the expected return of the market (R_m) in excess of the risk-free rate (R_f), or, is based on US equity risk premium of 6.2% (extracted from Ibbotson Report) plus the market systematic risk in China, which is referenced to the volatility of local market index in relation to the S&P500
Alpha	= Project-specific risk premium	=	6%	2.5%	It is the non-diversifiable risk borne by investment in single company and the early stage of development.

As such, our analysis concludes that a discount rate of 14% and 13% are considered appropriate for valuing Beijing Bayhood No. 9 Club and the Proposed Project respectively.

Lack of Marketability Discount ("LOMD")

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share or stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. Given the sale restriction of the properties to be developed on the Subject Land, the LOMD for a going concern business should be considered as compared with freely transferrable lands.

In this appraisal, we applied option-pricing model to estimate the LOMD as this model can take into account the factors like timing of liquidity event and risk factors in terms of volatility. If one holds restricted or non-marketable stock, the holder can purchase at the money put option of similar stock to hedge the current value of the underlying stock. Therefore, the purchase cost of a put option can approximate the discount for lack of marketability. Normally, the farther the valuation date is from an expected liquidity event, or the higher volatility over the option period, the higher the put option value and thus the higher the implied LOMD.

By using the option-pricing method, discount for lack of marketability of 15% was applied in this Valuation.

Excess Assets

As of the Valuation Date, since Beijing Bayhood No. 9 Club is the only operating vehicle within the Target Group, total cash balance of the Target Group was considered as excess cash to derive the business enterprise value of Beijing Bayhood No. 9 Club. In addition, present value of profit tax payable was deducted in order to derive the equity value. Per Management, profit tax payable was created from the difference in the amortization of membership subscription in accounting (7 years) and China tax (until year 2051). Time value of profit tax payable has been considered.

Reconciliation with Market Comparables

Beijing Bayhood No. 9 Club

The concluded value of the Golf Club derived by the Discounted Cash Flow method at RMB329 million enterprise value ("**EV**") to RMB22.26 million earnings before interest, tax, depreciation and amortization ("**EBITDA**") in 2015 indicates the EV/EBITDA multiples of approximately 14.8 x. The implied valuation multiple is fall into the high end of the EV/EBITDA of comparable listed companies identified on minority basis given the potential to increase earnings to historical level and under-utilization of the Golf Club.

Guideline Companies	Bloomberg Code	EV/EBITDA 2015E
Accordia Golf Co. Ltd	2131 JP	15.95
PGM Holdings K K	2466 JP	N/A
Dunlop Sports Co. Ltd	7825 JP	N/A
Club Corp Holding Inc	MYCC US	9.21

The Proposed Project

The market value of Development Project as of the Valuation Date indicated by the Income Approach at RMB891 million plus future construction cost of RMB921.4 million arrived at the estimated future value of the Proposed Project at RMB23,000 per square meter upon the completion of construction. We have performed independent research on comparable market rental of leased luxury villa in four locations which is currently at around RMB160 to RMB220 per square meter per month. The resulting expected annual gross rental yield of the Proposed Project if all leased instead would be in the range of 8.3% to 11.5% and is reasonably comparable to the rate of return, or "hurdle rate", of general market participants.

Sensitivity Analysis

As part of our valuation, a sensitivity analysis of value indication arrived at using the income approach was performed. We have tested sensitivity of the Golf Club's value to changes of the discount rate (WACC), annual new members in 2015-2019, percentage increase in membership subscription in every 4 years, and Proposed Project's value to changes of the discount rate (WACC), daily room rate, occupancy rate and EBITDA margin. The result is presented below:

Beijing Bayhood No. 9 Club

(RMB'000)

WACC	**Annual New Members in 2015-2019**				
	30	40	45	50	60
12%	274,000	325,000	347,000	370,000	412,000
13%	251,000	300,000	323,000	345,000	388,000
14%	231,000	279,000	302,000	324,000	366,000
15%	214,000	261,000	283,000	305,000	347,000
16%	199,000	245,000	267,000	288,000	330,000

(RMB'000)

WACC	**Percentage Increase in Membership Subscription in Every 4 Years**				
	3%	5%	8%	10%	12%
12%	319,000	330,000	347,000	359,000	371,000
13%	297,000	307,000	323,000	334,000	345,000
14%	278,000	287,000	302,000	312,000	322,000
15%	261,000	270,000	283,000	293,000	302,000
16%	246,000	254,000	267,000	276,000	285,000

Proposed Project

(RMB'000)

WACC	Daily Room Rate (RMB/sq.m)				
	40	45	50	55	60
11%	834,000	1,052,000	1,270,000	1,488,000	1,706,000
12%	674,000	868,000	1,062,000	1,256,000	1,450,000
13%	543,000	717,000	891,000	1,065,000	1,239,000
14%	434,000	592,000	749,000	907,000	1,065,000
15%	342,000	485,000	629,000	773,000	916,000

(RMB'000)

WACC	Occupancy Rate				
	50%	55%	60%	65%	70%
11%	907,000	1,088,000	1,270,000	1,452,000	1,633,000
12%	739,000	900,000	1,062,000	1,224,000	1,385,000
13%	601,000	746,000	891,000	1,036,000	1,181,000
14%	487,000	618,000	749,000	881,000	1,012,000
15%	390,000	509,000	629,000	749,000	868,000

(RMB'000)

WACC	EBITDA margin				
	25%	30%	35%	40%	45%
11%	647,000	959,000	1,270,000	1,581,000	1,893,000
12%	508,000	785,000	1,062,000	1,339,000	1,616,000
13%	393,000	642,000	891,000	1,140,000	1,388,000
14%	299,000	524,000	749,000	975,000	1,200,000
15%	219,000	424,000	629,000	834,000	1,039,000

Leasing Income Valuation

Upon the completion of the acquisition, a branch of an indirect wholly-owned subsidiary of Jiuhao Health (the "**Lessee**") shall lease assets in respect of Beijing Bayhood No. 9 Club at fixed rental income to the Company for an initial term of 20 years, which may be further extended up to December 31, 2051 at the discretion of the Lessee (the "**Club Lease Agreement**").

The value in use calculation of Beijing Bayhood No. 9 Club is mainly used for impairment test and is based on the agreed rental income in accordance with the Club Lease Agreement plus interest income on cash balance discounted at a rate of 9%. The aggregate rental for the first five years is RMB90 million and shall increase by 30% in each of the subsequent five-year period as to RMB117 million, RMB152.1 million and RMB197.73 million. After the initial term of 20 years, the present value of project operating cash flows are adopted and considered as residual value of Beijing Bayhood No. 9 Club upon the termination of the Club Leasing Agreement.

Conclusion of Value

Based upon the investigation and analysis outlined above, it is our opinion that the market value of i) Beijing Bayhood No. 9 Club and ii) the proposed project of hotel villas and high-end hotel apartments to be erected on a piece of 580 Chinese acre land adjacent to Beijing Bayhood No. 9 Club as of the Valuation Date are reasonably stated by the amount as below.

As of March 31, 2015		Market Value *(RMB'000)*
i)	Beijing Bayhood No. 9 Club	302,000
ii)	The proposed project of hotel villas and high-end hotel apartments to be erected on a piece of 580 Chinese acre land adjacent to Beijing Bayhood No. 9 Club	891,000

Based upon the Leasing Income Valuation, it is our opinion that the value in use of Beijing Bayhood No. 9 Club is reasonably stated by the amount of approximately RMB350 million for the purpose of impairment assessment.

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We do not provide assurance on the achievability of any financial results estimated by the Company because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of Management.

We have not investigated the title to or any liabilities against the property appraised.

We hereby certify that we have neither present nor prospective interests in the Company or the value reported.

Respectfully submitted,
For and on behalf of
AMERICAN APPRAISAL CHINA LIMITED
Ricky Lee
Senior Vice President and Director

Note:

Mr. Lee has been involved in business enterprise and intangible asset valuation services for the purposes of joint venture, merger & acquisition and public listing for over fifteen years and is a fellow member of the Association of Chartered Certified Accountants, accredited senior appraiser of the American Society of Appraisers and charter holder of the Chartered Financial Analyst. This valuation was prepared under the supervision of Mr. Lee as project-in-charge with significant professional assistance from Ms. Joan Wong and Mr. Kenneth Kei. Miss Wong is a fellow member of Association of Chartered Certified Accountants, charter holder of the Chartered Financial Analyst. Mr. Kenneth Kei is a charter holder of the Chartered Financial Analyst and Financial Risk Manager. Both of them has more than six years experience in providing business enterprise and intangible asset valuation services for the purpose of financial reporting, corporate restructuring and M&A related engagements.

The following is the text of the letter from the reporting accountants of the Company, HLD Hobgson Impey Cheng Limited, Certified Public Accountants, prepared for the purpose of inclusion in this circular.

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

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Date: 31 August 2015

REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF BEIJING BAYHOOD NO. 9 CLUB AND THE PROPOSED DEVELOPMENT PROJECT

TO THE DIRECTORS OF ETERNITY INVESTMENT LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by American Appraisal China Limited dated 31 August 2015 (the "**Valuation**") in relation to Beijing Bayhood No. 9 Club and the proposed project of hotel villas and high-end hotel apartments to be erected on a piece of 580 Chinese acre land adjacent to Beijing Bayhood No. 9 Club is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and will be included in a circular dated 31 August 2015 (the "**Circular**") issued by Eternity Investment Limited (the "**Company**") in connection with the acquisition of entire equity interest in Smart Title Limited (the "**Target Company**", together with its subsidiaries, the "**Target Group**").

Directors' responsibility for the discounted future estimated cash flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Valuation (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting accountants' responsibility

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work does not constitute any valuation of the Target Group.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467
Hong Kong

The following is the text of the letter from Altus Capital Limited, prepared for the purpose of inclusion in this circular.

ALTUS CAPITAL LIMITED
21 Wing Wo Street
Central, Hong Kong

31 August 2015

The Board of Directors
Eternity Investment Limited
Unit 3811, Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We refer to the valuation (the "**Valuation**") prepared by American Appraisal China Limited in relation to Beijing Bayhood No. 9 Club and the Proposed Development Project as set out in the valuation report in Appendix V to this circular (the "**Valuation Report**"). As stated in the Valuation Report, the Valuation have been prepared using discounted cashflow method, based on the business plan and financial forecast provided by Eternity (the "**Projection**"), they constitute profit forecast under Rule 14.61 of the Listing Rules.

The Valuation has been prepared by the Directors based on the audited consolidated results of the Target Group for the three years ended 31 December 2014 and the Projection (in relation to (i) Beijing Bayhood No. 9 Club for the business plan and financial forecast for the period from 1 January 2015 to 31 December 2051 and (ii) the Proposed Development Project for the business plan and financial forecast for the period from 1 January 2015 to 31 December 2061).

We have reviewed the Valuation upon which the Valuation have been made for which you as the Directors are responsible and discussed with you and American Appraisal China Limited the information and documents provided by you which formed part of the bases and assumptions upon which the Projection have been prepared. We have also considered the letter from HLB Hodgson Impey Cheng Limited addressed to yourselves as set out in Appendix VI to this circular regarding the accounting policies and calculations upon which the Projection have been made.

On the basis of the foregoing, we are satisfied that the Projection, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Chang Sean Pey
Executive Director

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

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the completion of the Transactions and the Proposed Distribution.

(a) Assuming no Shares were allotted and issued or repurchased by the Company from the Latest Practicable Date to the record date for the Proposed Distribution:

(i) As at the Latest Practicable Date

Authorised:		*HK$*
10,000,000,000	Shares	100,000,000.00
Issued and fully paid:		*HK$*
1,180,006,486	Shares	11,800,064.86

(ii) Immediately following the completion of the Transactions and the Proposed Distribution

Authorised:		*HK$*
10,000,000,000	Shares	100,000,000.00

Issued and fully paid:		*HK$*
1,180,006,486	Shares	11,800,064.86
1,500,000,000	Eternity Consideration Shares	15,000,000.00
2,680,006,486	Shares	26,800,064.86

(b) Assuming all Eternity Options Shares were allotted and issued, but no other Shares were allotted, issued or repurchased by the Company from the Latest Practicable Date to the record date for the Proposed Distribution:

(i) As at the Latest Practicable Date

Authorised:		*HK$*
10,000,000,000	Shares	100,000,000.00

Issued and fully paid:		*HK$*
1,180,006,486	Shares	11,800,064.86

(ii) Immediately following the completion of the Transactions and the Proposed Distribution

Authorised:		*HK$*
10,000,000,000	Shares	100,000,000.00
Issued and fully paid:		*HK$*
1,180,006,486	Shares	11,800,064.86
4,130,204	Eternity Option Shares	41,302.04
1,500,000,000	Eternity Consideration Shares	15,000,000.00
2,684,136,690	Shares	26,841,366.90

The Shares are primarily listed on the Stock Exchange. No part of the Shares is listed or to be listed on any other stock exchange.

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. the Shares

Name of Director	*Note*	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Mr. Lei Hong Wai	*1*	Held by controlled corporations	211,416,000	17.92%
Mr. Cheung Kwok Wai, Elton	*1*	Held by controlled corporations	211,416,000	17.92%
Mr. Cheung Kwok Fan	*1*	Held by controlled corporations	211,416,000	17.92%
Mr. Chan Kin Wah, Billy		Beneficial owner	6,319,500	0.54%

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. the Eternity Options

Name of Director	Capacity	Number of Eternity Options held	Number of underlying Shares
Mr. Lei Hong Wai	Beneficial owner	1,001	1,001
Mr. Chan Kin Wah, Billy	Beneficial owner	1,001	1,001

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. the Shares

Name of Shareholder	*Notes*	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Twin Success	*1*	Beneficial owner	211,416,000	17.92%
Silver Pacific International Limited	*1 and 2*	Held by controlled corporation	211,416,000	17.92%
Silver Pacific Development Limited	*1 and 3*	Held by controlled corporation	211,416,000	17.92%
Mr. Lei Hong Wai	*1 and 2*	Held by controlled corporations	211,416,000	17.92%
Mr. Cheung Kwok Wai, Elton	*1 and 3*	Held by controlled corporations	211,416,000	17.92%
Mr. Cheung Kwok Fan	*1 and 3*	Held by controlled corporations	211,416,000	17.92%
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%

Name of Shareholder	*Notes*	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Mr. Andrew Nam Sherrill	*4*	Held by controlled corporations	129,412,174	9.95%

Notes:

1. Twin Success is owned as to 50% by Silver Pacific International Limited and as to 50% by Silver Pacific Development Limited

2. Silver Pacific International Limited is wholly owned by Mr. Lei Hong Wai.

3. Silver Pacific Development Limited is owned as to 50% by Mr. Cheung Kwok Wai, Elton and as to 50% by Mr. Cheung Kwok Fan.

4. The number of issued Shares held 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.

b. the Eternity Options

Name of Shareholder	Capacity	Number of Eternity Options held	Number of underlying Shares
Mr. Lei Hong Wai	Beneficial owner	1,001	1,001

c. derivatives to the Shares

Name of Shareholder	*Note*	Capacity	Number of derivatives (physically settled)	Number of underlying Shares
The Vendor	*1*	Other	1,500,000,000	1,500,000,000
Jiuhao Health	*1*	Held by controlled corporation	1,500,000,000	1,500,000,000

Note:

1. The Vendor is a wholly-owned subsidiary of Jiuhao Health.

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 date of this circular 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 INTERESTS

Save and except for (i) Mr. Lei Hong Wai, Mr. Cheung Kwok Wai, Elton and Mr. Cheung Kwok Fan (each an executive Director) having an indirect interest in approximately 16.13% of the issued share capital of Man Sang International Limited, a company listed on the Main Board of the Stock Exchange under stock code: 938 engaging in the development, sales and leasing of properties, through their beneficial interests in Twin Success and (ii) each of Mr. Lei Hong Wai and Mr. Cheung Kwok Wai, Elton being an executive director of Man Sang International Limited, as at the Latest Practicable Date, none of the Directors nor (so far as was known to them) 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. LITIGATIONS

As at the Latest Practicable Date, save as disclosed below, no members of the Group was engaged in any litigation or arbitration of material importance known to the Directors to be pending or threatened against any member of the Group.

(a) On 15 April 2010, a claim was brought by China Finance in High Court Action No. 526 of 2010 against Rexdale, for failing to pay a service fee in the sum of HK$25,000,000 to China Finance. No provision for the claim was made in the audited consolidated financial statements of the Group for the year ended 31 December 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 Board announced that it came to the attention of the Company 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. 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 the 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 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 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 Judgment 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 Court of First Instance 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.

8. SERVICE 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.

9. EXPERTS AND CONSENTS

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

Name	Qualifications
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Altus Capital	A licensed corporation to carry out Type 4 (advising on securities), Type 6 (advisory on corporate finance) and Type 9 (asset management) regulated activities under the SFO
American Appraisal China Limited	Independent valuer

Each of HLB Hodgson Impey Cheng Limited, Altus Capital and American Appraisal China Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, references to its name and/or its advice in the form and context in which it appears.

10. EXPERTS' INTERESTS

As at the Latest Practicable Date, each of HLB Hodgson Impey Cheng Limited, Altus Capital and American Appraisal China Limited,

(a) was not interested, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or is 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; and

(b) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. MISCELLANEOUS

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business of the Company is situated at Unit 3811, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong.

(b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited, having its office situated at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) Mr. Chan Kin Wah, Billy, the company secretary of the Company, is a member of the Hong Kong Institute of Certified Public Accountants, a CPA member of CPA Australia and a non-practicing member of the Chinese Institute of Certified Public Accountants. He holds a Bachelor of Administration Degree from University of Ottawa in Canada and a Master of Commerce Degree in Professional Accounting from University of New South Wales in Australia.

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, and are material:

(a) 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;

(b) the letter of extension dated 30 October 2013 and entered into between New Cove Limited ("**New Cove**"), 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;

(c) 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 amount of HK$225,000,000 issued by China Star to the close of business on 25 November 2013, being the record date for determining the entitlement to the open offer as announced by China Star on 5 November 2013; and (ii) the convertible bonds in the principal of HK$225,000,000 registered in the name of and beneficially owned by Eternity Finance will remain registered in the name of and beneficially owned by Eternity Finance from 5 November 2013, being the date of underwriting agreement, to the record date;

(d) 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;

(e) the supplemental agreement dated 31 December 2013 and entered into between the Company and China Star relating to the further extension of completion date of the second tranche subscription of the convertible bonds of HK$300,000,000 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 respectively) from 31 December 2013 to 31 December 2015;

(f) 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;

(g) 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$286,102,297;

(h) 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;

(i) the conditional sale and purchase agreement dated 30 May 2014 and entered into between Riche (BVI) Limited as vendor and Mr. Ng Cheuk Fai as purchaser relating to the sale and purchase of the entire issued share capital of Rich Daily Group Limited at a consideration of HK$2,000,000;

(j) the irrevocable undertaking dated 25 June 2014 given by New Cove to ESD and the Underwriter (i) to convert the convertible bonds issued by EDS in the principal amount of HK$25,000,000 into 25,000,000 new 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$15,000,000 into 15,000,000 new EDS Shares before the record date for the open offer; (iii) to subscribe for or procure the subscription for 12,500,000 new 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 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;

(k) 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 EDS Shares to not fewer than six independent investors at a price of HK$3.15 per EDS Share;

(l) 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;

(m) the S&P Agreement;

(n) 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 Growth Enterprise Market of the Stock Exchange, at a consideration of HK$197,757,000, and such proposed acquisition was terminated by a termination agreement dated 19 May 2015;

(o) 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 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 EDS Share/convertible preferred share;

(p) 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 EDS Shares (other than the 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 EDS Share;

(q) the supplemental agreement dated 30 March 2015 entered into between the Company, the Vendor and Jiuhao Health relating to the amendments to the forms of the Club Lease Agreement and the Share Entitlement Note attached to the S&P Agreement;

(r) the Underwriting Agreement;

(s) 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;

(t) 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;

(u) the legally binding letter agreement dated 8 June 2015 entered into between the Company as purchaser and Jiuhao Health 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$298,800,000;

(v) the supplemental agreement dated 12 June 2015 entered into between the Company, the Vendor and Jiuhao Health relating to the extension of the long stop date of the S&P Agreement;

(w) the termination letter agreement dated 18 June 2015 entered into between the Company and Jiuhao Health in relation to the termination of the legally binding letter agreement dated 8 June 2015;

(x) 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 conditional subscription agreement dated 17 February 2015; and

(y) the supplemental agreement dated 28 August 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 further extension of the long stop date of the conditional subscription agreement dated 17 February 2015.

13. FUTURE DIVIDEND ARRANGEMENTS

There is no arrangement which future dividends are waived or agreed to be waived.

14. COMMISSIONS, DISCOUNTS, BROKERAGE OR OTHER SPECIAL TERMS

Save and except for the Underwriting Agreement, there is no commissions, discounts, brokerage or other special terms granted since 31 December 2014 (the date to which the latest published audited accounts of the Company were made up) in connection with the issue or sale of any capital of any member of the Group.

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 the bye-laws of the Company;

(b) the annual reports of the Company for the financial years ended 31 December 2012, 2013 and 2014;

(c) the accountants' report of the Target Group as set out in Appendix II to this circular;

(d) the letter from HLB Hodgson Impey Cheng Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(e) the valuation report from American Appraisal China Limited on Beijing Bayhood No. 9 Club and the Proposed Development Project, the text of which is set out in Appendix V to the circular;

(f) the letter from HLB Hodgson Impey Cheng Limited in relation to the Final Valuations, the text of which is set out in Appendix VI to this circular;

(g) the letter from Altus Capital in relation to the Final Valuations, the text of which is set out in Appendix VII to this circular;

(h) the written consents of the experts referred to in the paragraph headed "EXPERTS AND CONSENTS" to this Appendix;

(i) the material contracts referred to in the paragraph headed "MATERIAL CONTRACTS" to this Appendix;

(j) the valuation report from American Appraisal China Limited on the property located on the Club Land and the Subject Land, the text of which is set out in Appendix X to the circular;

(k) the circular of the Company dated 26 June 2015 in relation to the Eternity Rights Issue;

(l) the prospectus of the Company dated 29 July 2015 in relation to the Eternity Rights Issue; and

(m) this circular.

DIRECTORS

Particulars of Directors

Name

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

The business address of all Directors is Unit 3811, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong.

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. He has also been appointed as an executive director of Man Sang International Limited, a company listed on the Main Board of the Stock Exchange under stock code: 938, since 26 June 2015.

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. He has been appointed as an executive director of Man Sang International Limited, a company listed on the Main Board of the Stock Exchange under stock code: 938, since 26 June 2015. 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 Growth Enterprise Market operated by the Stock Exchange 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 authorized 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 48, 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 45, 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 45, 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 51, 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.

CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM11 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
Company secretary	Mr. Chan Kin Wah, Billy
Authorised representatives	Mr. Lei Hong Wai Mr. Chan Kin Wah, Billy
Legal adviser to the Company	*As to Hong Kong Law* Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road Central Hong Kong *As to Bermuda Law* Conyers Dill & Pearman 2901, One Exchange Square 8 Connaught Road Central Hong Kong *As to the PRC Law* Beijing Guantao Law Firm 17/F, Tower 2 Yingtai Centre No. 28 Finance Street Xicheng District Beijing China

Auditors	HLB Hodgson Impey Cheng Limited *Certified Public Accountants* 31st Floor Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Hong Kong branch share registrar and transfer office	Tricor Standard Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal share registrar and transfer office	Codan Services Limited Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Principal bankers	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

DETAILS OF THE SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the shareholders on 12 December 2011, the Company adopted a new share option scheme (the "**Option Scheme**") to replace the share option scheme adopted on 21 January 2002. The Option Scheme will expire on 11 December 2021. The purpose of the Option Scheme is to enable the Company to grant share options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group.

Under the Option Scheme, eligible participants are full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any subsidiary); any holder of any securities issued by the Group; and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group or any person who, in the sole discretion of the board of directors of the Company, has contributed or may contribute to the Group.

The overall limit on the number of shares which may be issued upon exercise of all share options granted and yet to be exercised under the Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. Subject to the above overall limit, the total number of shares which may be issued upon exercise of all share options to be granted under the Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the shares in issue as at the date of approval of the Option Scheme (the "**Scheme Mandate Limit**"). The Company may refresh the Scheme Mandate Limit subject to approval of the shareholders in general meeting, provided that the Scheme Mandate Limit as refreshed must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit.

The following is the text of the letter and valuation report prepared for the purpose of incorporation in this circular received from American Appraisal China Limited, being an independent property valuer, in connection with its valuation as at 30 June 2015 of the property located on the Club Land and the Subject Land.

American Appraisal China Limited
Rooms 701 & 708-710, Gloucester Tower,
The Landmark, 15 Queen's Road Central, Hong Kong
美國評值有限公司
香港中環皇后大道中15號置地廣場告羅士打大廈701及708−710室
Tel +852 2281 0188/ Fax +852 2511 9626

Leading / Thinking / Performing

August 31, 2015

The Directors
Eternity Investment Limited
Unit 3811, Shun Tak Centre,
West Tower, 168-200 Connaught Road Central,
Hong Kong

Dear Sirs,

In accordance with the instruction of Eternity Investment Limited (the "**Company**") to estimate the market value of buildings and structures of a land of approximately 1,150 Chinese acres on which a membership-based golf club is constructed thereon (the "**Club Land**") and a land of approximately 580 Chinese acres adjacent to the Club Land (the "**Subject Land**") located at Beihuqu Village, Lai Guang Ying Town, Chaoyang District, Beijing, the People's Republic of China (the "**PRC**") (the "**Property**") occupied by 北京北湖九號商務酒店有限公司 (Beijing Bayhood No. 9 Business Hotel Company Limited) ("**BJ Bayhood No. 9 Co**"), we confirm that we have inspected the Property, made relevant enquiries and obtained such further information as we consider necessary for providing the market value of such property interests as at June 30, 2015 (referred to as the "**date of valuation**").

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of property and the limiting conditions.

BASIS OF VALUATION

Our valuation is our opinion of the Market Value which is defined in accordance with the HKIS Valuation Standards of the Hong Kong Institute of Surveyors to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood as the value of an asset and liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

Our valuation has been based on the depreciated replacement cost of the buildings and structures which is defined as the gross replacement cost of the buildings, from which appropriate deductions may then be made to allow for age, condition, economic/external and functional obsolescence and environmental factors etc. All of these might result in the existing buildings being worth less to the undertaking in occupation than would a new replacement.

However, we have attributed no commercial value to the buildings and structures of the Property since no title certificate has been obtained

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title of the property interests. However, due to the current registration system of the PRC, no investigation has been made for the legal title or any liabilities attached to the property. We have also not scrutinized the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us.

We have relied to a considerable extent on the information provided by the Company and the PRC legal opinion provided by the PRC legal adviser, Guantao Law Firm. on the PRC Law regarding the property interests located in the PRC.

All legal documents disclosed in this letter and valuation certificate are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter and valuation certificate.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property interests on the market in its existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the property interests.

No allowance has been in our valuations for any charges, mortgages or amounts owing on the property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, all the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have assumed that the owners of the property interests have free and uninterrupted rights to use, lease or mortgage the property interests for the whole of the unexpired term of its respective land use rights. We have also assumed that the property interests are freely disposable and transferable.

We have valued the property interests on the assumption that it is developed in accordance with the development proposals or building plans given to us. We have assumed that all consents, approvals and licences from relevant government authorities for the buildings and structures erected or to be erected thereon have been granted. Also, we have assumed that unless otherwise stated, all buildings and structures erected on the land parcels are held by the owners or permitted to be occupied by the owners.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation certificate. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation certificate.

Other special assumptions of the Property, if any, have been stated in the footnotes of the valuation certificate.

LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us by the Company on such matters as statutory notices, easements, tenure, occupancy, construction cost, site areas and floor areas and all other relevant matters. Dimensions and areas included in the valuation certificate are based on information contained in the documents provided to us and are only approximations.

Having examined all relevant documentation, we have had no reason to doubt the truth and accuracy of the information provided to us. We have assumed that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

We have not carried out detailed site measurements to verify the land or building areas in respect of the Property but have assumed that the areas provided to us are correct. All dimensions and areas are approximations only.

Our Ms. Kathy Li has inspected the Property included in the attached valuation certificate on May 26, 2015. No structural survey has been made and we are therefore unable to report as to whether the Property is or is not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

No site investigations have been carried out to determine the suitability of the ground conditions or the services for the development site. Our valuation is made on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licenses, consents, or other legislative, or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

REMARKS

In valuing the property interests, we have complied with all the requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

We hereby certify that we have neither present nor a prospective interest in the real properties or the value reported. This valuation report is issued subject to our Assumptions and Limiting Conditions.

Unless otherwise stated, all monetary amount stated in this report is in Renminbi (RMB).

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
AMERICAN APPRAISAL CHINA LIMITED

Calvin K.C. Chan
CFA, MRICS, MHKIS, MCIREA, RPS (GP)
Director

Notes:

Mr. Calvin K. C. Chan, who is a Chartered Surveyor and Registered Professional Surveyor, has over 18 years' experience in valuation of properties in Hong Kong and the PRC. Mr. Chan has been admitted to the Hong Kong Institute of Surveyors' approved List of Property Valuers to undertake valuation for incorporation or reference in Listing Particulars and Circulars and valuation in connection with takeovers and mergers.

Ms. Kathy Li, who is a Chinese Registered Real Estate Appraiser and Accredited Senior Appraiser-American Society of Appraiser, has over 11 years' experience in valuation of properties in the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at June 30, 2015
Buildings and structures of the Club Land and the Subject Land located within Beihuqu Village, Lai Guang Ying Town, Chaoyang District, Beijing, the PRC 中國北京市朝陽區來廣營鄉北湖渠村之高爾夫球會所的建築物及構築物	The Property comprises various buildings and structures with a total gross floor area of approximately 22,630 square metres and land improvements which were completed in between 2001 and 2014. There is a construction-in-progress ("**CIP**") works with the proposed gross floor area of approximately 21,000 square metres on the Subject Land. The said CIP works is scheduled to be completed in December 2015.	As advised, the Property was occupied by 北京北湖九號商務酒店有限公司 (Beijing Bayhood No. 9 Business Hotel Company Limited) ("**BJ Bayhood No. 9 Co**") for the use of golf club and other ancillary facilities.	No Commercial Value

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at June 30, 2015
	The above mentioned buildings, structures and CIP works are erected on the Club Land and the Subject Land with a total site area of 1,730 Chinese acres (or about 1,153,339 square metres). A series of contractual arrangements will be expired on December 31, 2051 and January 30, 2062, respectively.		

Notes:

(1) Pursuant the Authorization Letter (授權委託書) issued by the Villagers' Committee of Beihuqu Village, Lai Guang Ying Town, Chaoyang District, Beijing City (北京市朝陽區來廣營鄉北湖渠村村民委員會) dated May 8, 2008, 北京朝來足球活動中心 (Beijing Chaolai Football Centre) (the "Beijing Chaolai Football Centre") was authorised to operate the Subject Land.

(2) Pursuant to the Consent Letter (同意函) issued by 北京市朝陽區來廣營鄉北湖渠村經濟合作社 (the "Beihuqu Village Economic Cooperative") dated May 24, 2012, the Beihuqu Village Economic Cooperative, who possesses the land use rights of the Subject Land, agrees that the Beijing Chaolai Football Centre enters into an agreement with 北京北湖商務咨詢有限公司 (Beijing Beihu Business Consultants Company Limited) (the "Beihu Consultants") for the joint construction and development of the said land parcel.

(3) Pursuant to the Cooperation Agreement entered into between the Beijing Chaolai Football Centre ("Party A") and the Beihu Consultants ("Party B") dated January 30, 2012, both parties agreed to develop the Subject Land together. The cooperation term will be expired on May 31, 2048.

(4) Pursuant to the Transfer Agreement entered between the Beihu Consultants ("Party A") and BJ Bayhood No. 9 Co ("Party B") dated January 1, 2013, both parties agree to transfer the rights and obligations under the agreement mentioned in item (3) to Party B.

(5) Pursuant to the Amendment Agreement of Cooperation Agreement entered into between the Beijing Chaolai Football Centre ("Party A") and 北京北湖九號商務酒店有限公司 (BJ Bayhood No. 9 Co) ("Party B") dated July 22, 2014, the expiry date mentioned in item (3) will be extended to January 30, 2062.

(6) Pursuant to Contractual Agreement (合同書) entered into between the Beihuqu Village Economic Cooperative ("Party A") and 北京馨葉高爾夫俱樂部有限公司 (Beijing Xinye Golf Club Company Limited) (the "Xinye Golf Club Co") ("Party B") dated September 19, 2000, Party A agrees Party B to use the land parcel with site area of 450 Chinese acres being part of the Club Land, for a term of 50 years commencing from January 1, 2001. The annual rental for the use of land is RMB800 per mu commencing from January 1, 2001, subject to an increment of 10% per 5 years. Upon the expiry of the said term, the land parcel will be held by Party A whilst buildings and structures constructed by Party B will be held by Party B.

(7) Pursuant to Contractual Agreement (合同書) entered into between the Beihuqu Village Economic Cooperative ("Party A") and the Xinye Golf Club Co ("Party B") dated April 26, 2002, Party A agrees Party B to use the land parcel with site area 700 Chinese acres being part of the Club Land, for a term of 50 years commencing from January 1, 2002. The annual rental for the use of land is RMB1,200 per mu commencing from January 1, 2002, subject to an increment of 10% per 5 years. Upon the expiry of the said term, the land parcel will be held by Party A whilst buildings and structures constructed by Party B will be held by Party B.

(8) As advised by the Company, the company name of 北京馨葉高爾夫俱樂部有限公司 (the Xinye Golf Club Co) has been changed to 北湖國際高爾夫俱樂部有限公司 (Bayhood Golf Club Company Limited) (the "Golf Club Co").

(9) Pursuant to the Consent Letter (同意函) issued by the Beihuqu Village Economic Cooperative dated December 15, 2005, the Beihuqu Village Economic Cooperative, who possesses the land use rights of the Club Land, agrees that the Golf Club Co enters into an agreement with BJ Bayhood No. 9 Co for the joint construction and development of the Club Land.

(10) Pursuant to the Joint Construction and Operation Agreement (合作建設和經營協議) entered into between BJ Bayhood No. 9 Co ("Party A") and the Golf Club Co ("Party B") dated December 20, 2005, Party B agrees Party A to use the Club Land for a term commencing from January 1, 2006 to December 31, 2052 via Party A's payment of cooperation fee, which is charged at a rate of RMB15,000,000 per year on the commencement of the said term, subject to an increment of 5% per 5 years. During the said term, Party A agrees to operate the clubhouse and facilities and Party A will be solely responsible for the revenue and loss generated from such operation. Party A will transfer all the assets, business and staff to Party B upon the expiry date of the said agreement.

(11) Pursuant to the Supplemental Agreement of the Joint Construction and Operation Agreement (《合作建設和經營協議》的補充協議) entered into between BJ Bayhood No. 9 Co and the Golf Club Co dated April 11, 2011, the expiry date mentioned in item (9) is revised to December 31, 2051.

(12) Pursuant to the Amendment Agreement of Cooperation Agreement (《合作建設和經營協議》之變更協議) entered into between the BJ Bayhood No. 9 Co and the Golf Club Co dated March 26, 2012, the cooperation fee mentioned in item (9) is revised. The revised cooperation fee from 2012 to 2015 is revised to RMB4,000,000 per year. An increment of cooperation fee is revised to 5% per 5 years.

(13) Pursuant to the Rural Construction Planning Permit, Town Zi Di No. 110105201200001 and 2012 Gui (Chao) Town Jian Zi No. 00C1 dated March 31, 2012, the proposed development on the Subject Land with a total gross floor area of about 80,403.99 square metres has been approved.

(14) Pursuant to the Construction Commencement Permit, 2014 Shi Chao Jian Zi No. 0057, issued by Housing and Urban-Rural Construction Committee of Chaoyang District dated March 21, 2014, the proposed development on the Subject Land with total gross floor area of about 80,403.99 square metres has been approved.

(15) As per information provided, the total area of the first phase of proposed development on the Subject Land is about 21,000 square metres with the total construction cost incurred of about RMB82,991,000 as of the date of valuation. The said construction work is scheduled to be completed in December 2015 with the total investment of about RMB140,000,000.

(16) As per information provided, BJ Bayhood No. 9 Co has no title ownership of the Club Land and the Subject Land. As such, the Club Land and the Subject Land cannot be freely transferred.

(17) As per information provided, the buildings and structures of the Property comprises of club house, café, restaurant, canteen and other facilities with a total gross floor area of about 22,630 square metres. Building ownership certificates have not been obtained for all buildings and structures.

(18) In the course of our valuation, we have attributed no commercial value to the Property due to the lack of the title ownership. For reference purpose, we have assessed the depreciated replacement cost ("DRC") of the Property. The DRC of the Property would be RMB304,091,000 as at the date of valuation.

(19) We have been provided with a legal opinion on the title to the Property issued by Guantao Law Firm, which contains, inter alias, that:

a. BJ Bayhood No. 9 Co does not have the ownership of land use rights where the Property is erected thereon.

b. BJ Bayhood No. 9 Co can enjoy the contractual rights of development of and operation of the Property through obtaining the relevant collectives' direct or indirect consent and authorisation through a series of contractual arrangements.

c. BJ Bayhood No. 9 Co does not have the building ownership certificates of the Property.

d. BJ Bayhood No. 9 Co can legally and exclusively use and operate the Property until the expiry of a series of contractual arrangements.

e. BJ Bayhood No. 9 Co has obtained the Rural Construction Planning Permit and Construction Commencement Permit for the Siheyuan and the rights to exclusively use and operate the Siheyuan.

f. BJ Bayhood No. 9 Co has the rights to exclusively use the Club House erected on the Club Land before the expiry of the term under the Co-operation agreement. Upon the expiry of the term, the ownership of the Club House erected on the Club Land will be belonged to the Golf Club Co.

g. The Company has no legal impediment to obtain the development and operation rights of the buildings and structures erected on the Club Land and the Subject Land via BJ Bayhood No. 9 Co before the expiry of the series of contractual arrangement.

h. Rural Construction Planning Permit, Town Zi Di No. 110105201200001 and 2012 Gui (Chao) Town Jian Zi No. 00C1 dated March 31, 2012 has been obtained for the development of Siheyuan.

i. Construction Commencement Permit, 2014 Shi Chao Jian Zi No. 0057, issued by Housing and Urban-Rural Construction Committee of Chaoyang District dated March 21, 2014 has been obtained for the development of Siheyuan.

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 Meeting Room (Soho 2), 6/F., ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Thursday, 17 September 2015 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution (with or without amendments) of the Company:

ORDINARY RESOLUTION

"THAT:

(1) the conditional sale and purchase agreement dated 11 December 2014 (as amended and supplemented by the supplemental sale and purchase agreements dated 30 March 2015 and 12 June 2015 entered into by parties to the conditional sale and purchase agreement) (collectively referred to as the "**S&P Agreement**") (a copy of which has been produced at this meeting and marked "A" and initialed by the chairman of this Meeting for the purpose of identification) entered into between the Company as purchaser, Unique Talent Group Limited (a wholly-owned subsidiary of China Jiuhao Health Industry Corporation Limited ("**Jiuhao Health**")) as vendor (the "**Vendor**") and Jiuhao Health as guarantor in relation to, (i) the acquisition of the entire shareholding interest in Smart Title Limited (the "**Target Company**"); and (ii) the assignment to the Company on completion of the benefit and interest in the loan due from the Target Company to the Vendor, which as at the date of the S&P Agreement, amounted to approximately HK$1,076 million, at an aggregate consideration of HK$1,650 million to be settled in accordance with the terms under the S&P Agreement and the transactions contemplated thereunder or incidental to the S&P Agreement be and are hereby approved, confirmed and ratified;

(2) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in the Consideration Shares (as defined in the S&P Agreement), a specific mandate be granted in respect of the 1,500,000,000 Consideration Shares (as defined in the S&P Agreement) and the directors of the Company (the "**Directors**") be and are hereby authorised to allot and issue the 1,500,000,000 Consideration Shares at an issue price of HK$0.70 per Consideration Share to the holder of the Share Entitlement Note (as defined in the S&P Agreement) in accordance with the terms and conditions of the S&P Agreement, and that the Consideration Shares shall, when allotted and issued, be credited as fully paid and rank pari passu in all respects with all other shares of the Company in issue on the date of such allotments and issues; and

(3) any one Director be and is hereby authorised for and on behalf of the Company to do all such further acts and sign and execute under seal all such documents which in his opinion may be necessary or expedient to give effect to the terms of the S&P Agreement and the allotment and issue of the Consideration Shares or any of the transactions contemplated under the S&P Agreement."

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

Hong Kong, 31 August 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

Notes:

1. *A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxy to attend and, subject to the provisions of the Bye-laws of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.*

2. *In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he/she/it so wish and in such event, the form of proxy shall be deemed to be revoked.*

3. *In the case of joint holders of shares, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share(s) as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share(s) shall alone be entitled to vote in respect thereof.*