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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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



**ETERNITY INVESTMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 764)**

**MAJOR TRANSACTION —  
DEEMED DISPOSAL OF  
SHAREHOLDING INTEREST IN  
EDS WELLNESS HOLDINGS LIMITED  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

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A letter from the Board is set out on pages 10 to 38 of this circular.

A notice convening the special general meeting of Eternity Investment Limited 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 Friday, 30 October 2015 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 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](http://www.hkexnews.hk).

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

8 October 2015



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## DEFINITIONS

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

|                       |  |
|-----------------------|--|
| “acting in concert”   | has the same meaning as ascribed to it under the Takeovers Code and for the purposes of this circular include parties actually or presumed to be acting in concert (unless rebutted) to obtain or consolidate control of EDS |
| “associate(s)”        | has the same meaning as ascribed to it under the Takeovers Code, unless the contexts to otherwise specify  |
| “Board”               | the board of the Directors   |
| “Business Days”       | a day (except Saturday, Sunday and public holiday) on which banks in Hong Kong are open for business   |
| “Bye-laws”            | Bye-laws of EDS  |
| “China Honest”        | China Honest Enterprises Limited, a company incorporated in Hong Kong with limited liability and a 51% owned subsidiary of EDS   |
| “China Star”          | China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange under stock code: 326                           |
| “close associate(s)”  | has the same meaning as ascribed to it in the GEM Listing Rules or the Listing Rules (as the case may be)  |
| “Company”             | Eternity Investment Limited, a company incorporated in Bermuda with limited liability and the Shares are listed on the Main Board of the Stock Exchange under stock code: 764  |
| “Completion”          | completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement   |
| “Completion Date”     | the date on which Completion occurs  |
| “connected person(s)” | has the same meaning as ascribed to it in the GEM Listing Rules or the Listing Rules (as the case may be)  |
| “Consideration”       | the consideration for the Subscription, being in total of HK\$150.00 million   |

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## DEFINITIONS

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| “Conversion”          | completion of the conversion of the Preferred Shares in accordance with the terms of the Preferred Shares   |
| “Conversion Period”   | the period commencing from the Completion Date and ending on the third anniversary of the Completion Date   |
| “Conversion Price”    | the price of HK\$0.40 per Conversion Share, subject to the adjustments as stated in the Subscription Agreement  |
| “Conversion Share(s)” | the new Ordinary EDS Shares to be issued by EDS upon conversion of the Preferred Shares pursuant to the terms and conditions attached to or endorsed on the Preferred Shares  |
| “Deemed Disposal”     | the deemed disposal of approximately 58.51% shareholding interest in the issued share capital of EDS as a result of the allotment and issue of the Subscription Shares to the Subscribers pursuant to the Subscription Agreement  |
| “Director(s)”         | the director(s) of the Company  |
| “Donica”              | Shenzhen Donica Electronic Technology Co., Ltd., a company incorporated in the PRC and 41.9825% owned by Mr. Cai Zhaoyang (who is the majority shareholder and the sole director of Xing Hang), 18.75% by Mr. Xie Yuehui, 17.625% by Mr. Lin Fan (who is one of the shareholders of Xing Hang), 12% by Mr. Jin Yi, 6.5175% by Mr. Li Chengjun and 3.125% by Mr. Guo Pengcheng (who is one of the shareholders of Xing Hang) |
| “EDS”                 | EDS Wellness Holdings Limited, a company originally incorporated in the Cayman Islands and continued in Bermuda as an exempted company on 22 April 2014, the issued shares of which are listed on GEM under stock code: 8176 and a 70.18% owned subsidiary of the Company   |
| “EDS Board”           | the board of EDS Directors  |
| “EDS Director(s)”     | the director(s) of EDS  |
| “EDS Group”           | EDS and its subsidiaries  |

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## DEFINITIONS

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| “EDS SGM”             | the special general meeting of EDS to be convened and held to consider and, if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder, the granting of the Specific Mandate, the Master Supply Agreement and the proposed annual caps in relation to the transactions contemplated thereunder, the Redesignation Resolution and the amendment to the Bye-laws   |
| “EDS Shareholder(s)”  | holder(s) of the Ordinary EDS Share(s)   |
| “Eternity Finance”    | Eternity Finance Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company   |
| “Excluded EDS Shares” | Ordinary EDS Shares owned or agreed to be acquired by Xing Hang and parties acting in concert with it, including the 345,000,000 Ordinary Subscription EDS Shares which will be held by Xing Hang and parties acting in concert with it upon Completion, the 36,500,000 Ordinary EDS Shares in respect of which the Group has undertaken not to accept the Offer and the 96 Ordinary EDS Shares held by Kingston Securities Limited (being an agent to make the Offer) (for the avoidance of doubt, the Excluded EDS Shares do not include the 16,000,000 Ordinary EDS Shares held by the Group) |
| “Executive”           | the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director  |
| “First Bonus”         | First Bonus International Limited, a company incorporated in the British Virgin Islands with limited liability   |
| “GEM”                 | the Growth Enterprise Market of the Stock Exchange   |
| “GEM Listing Rules”   | the Rules Governing the Listing of Securities on GEM   |
| “Goldenland”          | Goldenland Mining & Investment Limited, a company incorporated in the British Virgin Islands with limited liability  |
| “Group”               | the Company and its subsidiaries   |
| “High Aim”            | High Aim Global Limited, a company incorporated in the British Virgin Islands with limited liability   |

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## DEFINITIONS

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| “Hong Kong”                         | the Hong Kong Special Administrative Region of the PRC  |
| “Independent EDS Shareholders”      | EDS Shareholders other than the Subscribers, their respective associates and other EDS Shareholders who have a material interest in any of the Subscription, the Specific Mandate, the Master Supply Agreement and the transactions contemplated, the Redesignation Resolution and the amendment to the By-laws |
| “Independent Third Party(ies)”      | person(s) independent of the Company, EDS and their respective connected persons  |
| “In-flight WLAN and WIFI Equipment” | certain WLAN and WIFI equipment to be supplied by Donica to EDS under the Master Supply Agreement which allows connection that normally refers to as WIFI connection  |
| “Jiu hao Health”                    | China Jiu hao Health Industry Corporation Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange under stock code: 419  |
| “Joint Announcement”                | the announcement jointly published by Xing Hang, EDS and the Company dated 15 April 2015 in relation to, amongst others, (i) the Subscription, (ii) the Offer and (iii) the Deemed Disposal   |
| “Last Full Trading Day”             | 13 February 2015, being the last full trading day of the Ordinary EDS Shares immediately prior to the date of the Joint Announcement  |
| “Last Trading Day”                  | 16 February 2015, being the last trading day of the Ordinary EDS Shares immediately prior to the date of the Joint Announcement on which trading in Ordinary EDS Shares was halted at 2:45 p.m.   |
| “Latest Practicable Date”           | 5 October 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein  |
| “Listing Rules”                     | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Loan”                              | the principal amount drawn and for the time being outstanding under the term loan facility to be made available under the Term Loan Agreement   |

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## DEFINITIONS

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| “Long Stop Date”                             | 31 October 2015 (or such other date as may be agreed by the parties to the Subscription Agreement in writing)  |
| “Master Supply Agreement”                    | the master supply agreement to be entered into upon Completion between EDS and Donica in respect of the sale and purchase of the In-flight WLAN and WIFI Equipment and the provision of the Services by independent qualified engineering companies  |
| “MRO”  | the Maintenance, Repair and Operations qualification granted by the Civil Aviation Administration of China which is required for retrofitting an aircraft with WIFI equipment  |
| “Net Assets Per Ordinary EDS Share”          | the consolidated net assets per Ordinary EDS Share of approximately HK\$0.61 per Ordinary EDS Share as at 31 December 2014   |
| “Net Tangible Assets Per Ordinary EDS Share” | the consolidated net tangible assets per Ordinary EDS Share of approximately HK\$0.36 per Ordinary EDS Share as at 31 December 2014  |
| “New Business”                               | the provision of in-flight WLAN and WIFI engineering and service business  |
| “New Cove”                                   | New Cove Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company   |
| “Offer”                                      | subject to Completion, the unconditional mandatory cash offer to be made by Kingston Securities Limited on behalf of Xing Hang to acquire all the issued Ordinary EDS Shares (other than the Excluded EDS Shares) at the Offer Price   |
| “Offer Non-Acceptance Undertaking”           | the deed of undertaking dated 17 February 2015 entered into by the Company, Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus in favour of Xing Hang in respect their respective undertakings not to accept the Offer as described in the section headed “Undertakings in relation to the Offer” in this circular |
| “Offer Period”                               | commencing from 21 January 2015 to the date when the Offer lapses or the closing date of the Offer or such other date to which Xing Hang may decide to extend or revise the Offer in accordance with the Takeovers Code  |

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## DEFINITIONS

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| “Offer Price”                      | HK\$4.07 per Offer Share  |
| “Offer Share(s)”                   | the Ordinary EDS Share(s) which are subject of the Offer  |
| “One Synergy”                      | One Synergy Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company  |
| “Open Offer”                       | the open offer of EDS issuing of 19,061,000 new Ordinary EDS Shares at a subscription price of HK\$3.00 per Ordinary EDS Share as detailed in the prospectus of EDS dated 17 July 2014  |
| “Ordinary EDS Share(s)”            | the ordinary share(s) of par value of HK\$0.10 each in the share capital of EDS   |
| “Ordinary Subscription EDS Shares” | 345,000,000 new Ordinary EDS Shares, in aggregate, to be subscribed for by any Subscriber(s)  |
| “PRC”                              | The People’s Republic of China  |
| “Preferred Shareholder(s)”         | at any time the person who is (are) for the time being the registered holder(s) of the Preferred Shares   |
| “Preferred Shares”                 | new preferred shares of par value of HK\$0.10 each in the share capital of EDS to be created pursuant to the Redesignation Resolution   |
| “Previous Convertible Bonds”       | the non-interest bearing convertible bonds with a total principal amount of HK\$40.00 million and convertible into 40,000,000 Ordinary EDS Shares issued by EDS on 22 May 2014 and held by New Cove (further details of the issue of the Previous Convertible Bonds are disclosed in EDS’s announcements dated 21 March 2013, 30 October 2013 and 22 May 2014 and EDS’s circular dated 23 May 2013) |
| “Qualifications”                   | certifications and/or approvals issued by the Civil Aviation Administration of China and/or the relevant quality certification bodies and/or any other relevant authorities to approve the in-flight WLAN and WIFI communication equipment designed and/or manufactured by the holder of the certificates and/or approvals to be used on airplanes in the PRC                                       |



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## DEFINITIONS

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| “Redesignation Resolution” | the ordinary resolution to be passed by the Independent EDS Shareholders in the EDS SGM reclassifying and redesignating the existing authorised share capital of EDS of HK\$500,000,000 comprising 5,000,000,000 Ordinary EDS Shares of par value of HK\$0.10 each into HK\$500,000,000 comprising (i) 4,950,000,000 Ordinary EDS Shares of par value of HK\$0.10 each; and (ii) 50,000,000 Preferred Shares of par value of HK\$0.10 each |
| “Remaining Group”          | the Group immediately after the Deemed Disposal  |
| “Rexdale”                  | Rexdale Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company  |
| “RFML”                     | REORIENT Financial Markets Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporation finance) and Type 9 (asset management) regulated activities under SFO   |
| “Services”                 | certain installation and related services for the In-flight WLAN and WIFI Equipment to be provided by independent qualified engineering companies which have MRO as specified in the Master Supply Agreement   |
| “SFC”                      | the Securities and Futures Commission  |
| “SFO”                      | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)  |
| “SGM”                      | the special general meeting of the Company to be convened 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 Friday, 30 October 2015 at 11:00 a.m. to consider and, if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder   |
| “Share(s)”                 | the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company  |
| “Shareholder(s)”           | the holder(s) of the Share(s)  |

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## DEFINITIONS

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| “Silver Empire”                    | Silver Empire Holding Limited, a company incorporated in the British Virgin Islands with limited liability  |
| “SMS”                              | short message service   |
| “Specific Mandate”                 | the specific mandate to be granted by the Independent EDS Shareholders to the EDS Board at the EDS SGM for the allotment and issue of the Ordinary Subscription EDS Shares, the Preferred Shares and the Conversion Shares  |
| “Stock Exchange”                   | The Stock Exchange of Hong Kong Limited   |
| “Subscriber(s)”                    | Xing Hang, Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus, or any of them as the contexts may suggest   |
| “Subscribers’ Lock-Up Undertaking” | the deed of undertaking dated 17 February 2015 entered into by the Subscribers in favour of the Company in respect of their respective lock-up undertakings as described in the section headed “LOCK-UP UNDERTAKINGS IN RELATION TO THE SUBSCRIPTION SHARES” in this circular                           |
| “Subscription”                     | the subscription of Ordinary Subscription EDS Shares and Preferred Shares under the Subscription Agreement  |
| “Subscription Agreement”           | the subscription agreement in respect of the Subscription entered into between EDS and the Subscribers dated 17 February 2015 (as amended and supplemented by the supplemental agreements dated 19 June 2015 and 28 August 2015 respectively entered into by the parties to the Subscription Agreement) |
| “Subscription Price”               | HK\$0.40 per Subscription Share   |
| “Subscription Share(s)”            | collectively, the Ordinary Subscription EDS Shares and the Preferred Shares   |
| “Success Far”                      | Success Far Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to approximately 20.85% by Silver Empire, 22.93% by Truly Elite, 25% by Goldenland and 31.22% by High Aim   |
| “Takeovers Code”                   | the Hong Kong Code on Takeovers and Mergers issued by the SFC as amended from time to time  |

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## DEFINITIONS

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| “Term Loan Agreement”             | the term loan agreement entered into between Xing Hang (as borrower) and Success Far (as lender) dated 17 February 2015 in respect of the term loan facility to be made available under such term loan agreement   |
| “Trading Day(s)”                  | a day on which the Ordinary EDS Shares are traded on the Stock Exchange  |
| “Truly Elite”                     | Truly Elite Limited, a company incorporated in the British Virgin Islands with limited liability   |
| “WIFI”                            | Wireless Fidelity, a set of standards for WLAN based on the IEEE 802.11 specifications developed by the Institute of Electrical and Electronics Engineers, an independent non-profit organisation based in the United States of America for establishing standards for computers formats and devices |
| “WLAN”                            | wireless local area network  |
| “Xing Hang”                       | Xing Hang Limited, a company incorporated in the British Virgin Islands with limited liability   |
| “Xing Hang’s Lock-Up Undertaking” | the deed of undertaking dated 17 February 2015 entered into by Xing Hang in favour of EDS in respect of its lock-up undertakings as described in the section headed “LOCK-UP UNDERTAKINGS IN RELATION TO THE SUBSCRIPTION SHARES” in this circular   |
| “HK\$”                            | Hong Kong dollars, the lawful currency of Hong Kong  |
| “RMB”                             | Renminbi, the lawful currency of the PRC   |
| “USD”                             | United States dollars, the lawful currency of the United States of America   |
| “%”                               | per cent   |

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LETTER FROM THE BOARD

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**ETERNITY INVESTMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 764)**

*Executive Directors:*

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

*Independent non-executive Directors:*

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

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

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

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

8 October 2015

*To the Shareholders and, for information only,  
the holders of the share options of the Company*

Dear Sir or Madam,

**MAJOR TRANSACTION —  
DEEMED DISPOSAL OF  
SHAREHOLDING INTERESTS IN  
EDS WELLNESS HOLDINGS LIMITED  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcements of the Company dated 21 January 2015 and 24 February 2015 in respect of a possible fund raising of EDS and an update of the halt of trading in the Shares respectively and the Joint Announcement in relation to, amongst others, (i) the Subscription, (ii) the Offer and (iii) the Deemed Disposal.

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## LETTER FROM THE BOARD

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On 17 February 2015, EDS and the Subscribers entered into the Subscription Agreement pursuant to which the Subscribers have conditionally agreed to subscribe for, and EDS has conditionally agreed to allot and issue a total of 375,000,000 Subscription Shares, comprising 345,000,000 Ordinary Subscription EDS Shares and 30,000,000 Preferred Shares to the Subscribers, at an issue price of HK\$0.40 per Subscription Share.

On 19 June 2015, a supplemental agreement was entered into by the parties to the Subscription Agreement to extend the Long Stop Date from 19 June 2015 to 31 August 2015.

On 28 August 2015, another supplemental agreement was entered into by the parties to the Subscription Agreement to further extend the Long Stop Date from 31 August 2015 to 31 October 2015.

As at the date of the Subscription Agreement, the Group held 52,500,000 Ordinary EDS Shares, representing approximately 70.18% of the then issued share capital of EDS. Upon Completion, the Group's shareholding interest in EDS will be diluted from approximately 70.18% to approximately 11.67% (assuming that all Preferred Shares are converted into 30,000,000 Conversion Shares at the Conversion Price and that no further Ordinary EDS Shares are issued or bought back by EDS), representing a decrease of approximately 58.51%. Accordingly, the Subscription constitutes the Deemed Disposal by the Company pursuant to Rule 14.29 of the Listing Rules.

The purpose of this circular is to provide the Shareholders with further details of the Subscription Agreement and the transactions contemplated thereunder, the Deemed Disposal, a notice of the SGM and such other information as required by the Listing Rules.

### THE SUBSCRIPTION AGREEMENT

Date : 17 February 2015

Issuer : EDS

Subscribers : Xing Hang;  
Goldenland;  
Silver Empire;  
Truly Elite;  
High Aim; and  
First Bonus

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Subscribers and their respective ultimate beneficial owners are third parties independent of the Company,

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## LETTER FROM THE BOARD

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EDS and their respective connected persons. None of the Subscribers and their respective ultimate beneficial owners is a connected person of the Company or EDS. Please refer to the section headed “INFORMATION ON THE SUBSCRIBERS” for more information of the Subscribers.

The Company is the controlling shareholder (as defined under the GEM Listing Rules and the Listing Rules) of EDS. It is regarded as a party acting in concert with the Subscribers in view of the undertakings given by the Company to Xing Hang and the undertaking given by the Subscribers to the Company as further detailed in the sections headed “LOCK-UP UNDERTAKINGS IN RELATION TO THE SUBSCRIPTION SHARES” and “Undertakings in relation to the Offer” under “POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER” in this circular.

At the Latest Practicable Date, the Group held 13,000,000 ordinary shares of REORIENT Group Limited, representing approximately 2.85% of the total issued share capital of REORIENT Group Limited. REORIENT Group Limited holds the entire issued capital of First Bonus.

### The Subscription Shares

The following table sets out a summary of the Subscription Shares to be subscribed for by each of the Subscribers:

|               | <b>Subscription of Ordinary<br/>Subscription EDS Shares</b> |                                | <b>Subscription of Preferred Shares</b> |                                |
|---------------|---|--------------------------------|---|--------------------------------|
|               | Number of<br>Ordinary<br>Subscription<br>EDS Shares         | Consideration<br><i>(HK\$)</i> | Number of<br>Preferred<br>Shares        | Consideration<br><i>(HK\$)</i> |
| Xing Hang     | 179,921,200   | 71,968,480.00                  | —                                       | —                              |
| Goldenland    | 45,396,178  | 18,158,471.20                  | —                                       | —                              |
| Silver Empire | 37,861,665  | 15,144,666.00                  | —                                       | —                              |
| Truly Elite   | 41,628,921  | 16,651,568.40                  | —                                       | —                              |
| High Aim      | 26,697,946  | 10,679,178.40                  | 30,000,000                              | 12,000,000.00                  |
| First Bonus   | 13,494,090  | 5,397,636.00                   | —                                       | —                              |
|               | <u>345,000,000</u>  | <u>138,000,000.00</u>          | <u>30,000,000</u>                       | <u>12,000,000.00</u>           |

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## LETTER FROM THE BOARD

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The 345,000,000 Ordinary Subscription EDS Shares represent (i) approximately 461.21% of the number of Ordinary EDS Shares in issue as at the date of the Joint Announcement and the Latest Practicable Date; (ii) approximately 82.18% of the number of Ordinary EDS Shares in issue as enlarged by the allotment and issue of the Ordinary Subscription EDS Shares but before conversion of any Preferred Shares (assuming that there is no other change in the number of Ordinary EDS Shares in issue from the Latest Practicable Date); and (iii) approximately 76.70% of the number of Ordinary EDS Shares in issue as enlarged by the allotment and issue of the Ordinary Subscription EDS Shares and the Conversion Shares upon conversion of the Preferred Shares in full (assuming that there is no adjustment to the Conversion Price and there is no other change in the number of Ordinary EDS Shares in issue from the Latest Practicable Date). The aggregate nominal value of the Ordinary Subscription EDS Shares is HK\$34,500,000.00.

Upon conversion of the Preferred Shares in full, assuming that there is no adjustment to the Conversion Price, 30,000,000 Conversion Shares will be allotted and issued, representing (i) approximately 40.11% of the number of Ordinary EDS Shares in issue as at the date of the Joint Announcement and the Latest Practicable Date; (ii) approximately 7.15% of the number of Ordinary EDS Shares in issue as enlarged by the allotment and issue of the Ordinary Subscription EDS Shares but before conversion of any Preferred Shares (assuming that there is no other change in the number of Ordinary EDS Shares in issue from the Latest Practicable Date); and (iii) approximately 6.67% of the number of Ordinary EDS Shares in issue as enlarged by the allotment and issue of the Ordinary Subscription EDS Shares and the Conversion Shares (assuming that there is no adjustment to the Conversion Price and there is no other change in the number of Ordinary EDS Shares in issue from the Latest Practicable Date). The aggregate nominal value of the 30,000,000 Conversion Shares under the Preferred Shares is HK\$3,000,000.00.

### **The Subscription Price**

The Subscription Price of HK\$0.40 per Subscription Share represents:

- (a) a discount of approximately 93.55% to the closing price of HK\$6.20 per Ordinary EDS Share as quoted on the Stock Exchange on 16 February 2015, being the Last Trading Day;
- (b) a discount of approximately 91.84% to the closing price of HK\$4.90 per Ordinary EDS Share as quoted on the Stock Exchange on 13 February 2015, being the Last Full Trading Day;
- (c) a discount of approximately 91.68% to the average closing price of approximately HK\$4.81 per Ordinary EDS Share for the last five consecutive Trading Days up to and including the Last Full Trading Day;

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## LETTER FROM THE BOARD

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- (d) a discount of approximately 92.06% to the average closing price of approximately HK\$5.04 per Ordinary EDS Share for the last ten consecutive Trading Days up to and including the Last Full Trading Day;
- (e) a discount of approximately 92.73% to the closing price of HK\$5.50 per Ordinary EDS Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (f) a discount of approximately 34.43% to the Net Assets Per Ordinary EDS Share of approximately HK\$0.61 as at 31 December 2014 (based on the audited consolidated net assets attributable to owners of EDS of approximately HK\$45,299,000 as at 31 December 2014 and the number of Ordinary EDS Shares in issue as at the Latest Practicable Date); and
- (g) a premium of approximately 11.11% to the Net Tangible Assets Per Ordinary EDS Share of approximately HK\$0.36 as at 31 December 2014 (based on the audited consolidated net tangible assets attributable to owners of EDS of approximately HK\$27,033,000 as at 31 December 2014 and the number of Ordinary EDS Shares in issue as at the Latest Practicable Date).

The price of the Ordinary EDS Shares increased to HK\$9.50 per Ordinary EDS Share on 16 April 2015 (being the Trading Day immediately after the date of the Joint Announcement) from HK\$6.20 per Ordinary EDS Share on the Last Trading Day. The Subscription Price was arrived at after arm's length negotiation between EDS and the Subscribers after taking into account the prevailing market price of the Ordinary EDS Shares, the trading volume of the Ordinary EDS Shares, the Net Assets Per Ordinary EDS Share, the Net Tangible Assets Per Ordinary EDS Share and the trading position and prospect of the EDS Group's existing business. Having considered (i) the liquidity of the Ordinary EDS Shares on the Stock Exchange was low where the average daily turnover of the Ordinary EDS Shares for the six months prior to and including the Last Trading Day merely represents approximately 0.13% of the number of Ordinary EDS Shares in issue as at the date of the Subscription Agreement; (ii) the EDS Group was loss making for the past four years and as set out in EDS's annual report for the six months ended 31 December 2014 and interim report for the six months ended 30 June 2015, the EDS Group did not meet the profit forecast of the EDS Group as enlarged by the acquisition of a 51% equity interest in and the shareholders' loan due by China Honest for the 12-month period ending 30 June 2015 as set out in the circular of EDS dated 21 March 2014, the EDS Directors consider that the Subscription Price (including the discounts to the latest closing prices of Ordinary EDS Shares prior to the date of the Subscription Agreement as described above) is fair and reasonable and in the interests of EDS and the EDS Shareholders as a whole.

Upon Completion, the Subscription Shares shall be issued and credited as fully paid.



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## LETTER FROM THE BOARD

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The Consideration amounts to HK\$150.00 million which shall be payable in cash by the Subscribers in proportion to their Subscription Shares subscribed for upon Completion, subject to the following arrangement:

RFML is the financial adviser to EDS in connection with the Subscription and the Offer. First Bonus and RFML are both wholly owned subsidiaries of REORIENT Group Limited, the shares of which are listed on the Main Board of the Stock Exchange under stock code: 376. RFML will apply part of the financial advisory fee payable by EDS to RFML to set off against the Consideration payable by First Bonus in connection with First Bonus's portion of the Subscription.

### **Information on the Preferred Shares**

A summary of the principal terms of the Preferred Shares is set out below:

Subscription price: HK\$0.40 per Preferred Share.

Dividend: None of the Preferred Shares shall confer on the holders thereof the right to receive out of the funds of EDS available for distribution.

Return on capital: The Preferred Shares shall rank *pari passu* in all respects for return of capital on liquidation, winding up or dissolution of EDS and participation in the distribution of surplus assets of EDS with all other shares in the capital of EDS for the time being in issue.

Transferability: Any Preferred Share, subject to it having been fully paid up, shall be freely transferable, provided that such transfer shall be in compliance with the conditions set out in the terms of the Preferred Shares under the Subscription Agreement, including without limitation that a Preferred Share may only be transferred by execution of a form of transfer in the form set out in the terms of the Preferred Shares, and such Preferred Share must be delivered to EDS accompanied by a duly executed transfer form, and further subject to (where applicable) the conditions, approvals, requirements and any other provisions of or under the Stock Exchange (and any other stock exchange on which the Ordinary EDS Shares may be listed at the relevant time) or its rules and regulations, the GEM Listing Rules, the Takeovers Code and all applicable laws and regulations.

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## LETTER FROM THE BOARD

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**Voting:** The Preferred Shareholder(s) will not be entitled to attend or vote at any general meeting of EDS by reason only of his/her/its being the holder(s) of the Preferred Shares, unless a resolution is to be proposed at a general meeting for winding up EDS or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the holder(s) of the Preferred Shares, in which event the Preferred Shares shall confer on the holder thereof the right to receive notice of, and to attend and vote at, the general meeting, save that such holders may not vote upon any business dealt with at such general meeting except the election of a chairman, any motion for adjournment or relating to the proceedings of the general meeting and the resolution for winding-up or the resolution which if passed would (subject to any consents required for such purpose being obtained) vary or abrogate the rights and privileges of the holder(s) of the Preferred Shares. In such event, the votes of holders of Preferred Shares will be counted on as converted basis.

**Conversion:** Subject to the minimum public float requirement set out below, the Preferred Shares shall be convertible into Ordinary EDS Shares by such Preferred Shareholder serving a notice of Conversion to EDS on any Business Day within 3 years of the Completion Date without the payment of any additional consideration therefor, into such number of fully-paid Ordinary EDS Shares as determined in accordance with the Subscription Agreement.

EDS's obligation to effect conversion of fully paid Preferred Shares into Conversion Shares shall be subject to the minimum float requirement under the GEM Listing Rules being met.

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## LETTER FROM THE BOARD

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For fully paid Preferred Shares, the conversion right attaching to the Preferred Shares shall cease if the same is not exercised on the last date of the Conversion Period. Holders of Preferred Shares shall no longer be entitled to convert such Preferred Shares into Ordinary EDS Shares after such date. Such fully paid but unconverted Preferred Shares will remain as Preferred Shares with the rights set out in the terms of the Preferred Shares and will not be redeemable, and the issued as well as authorised share capital of EDS shall remain comprising both the Ordinary EDS Shares and the Preferred Shares (the latter of which having no conversion right attaching thereto). According to the terms of the Preferred Shares, the Preferred Shares shall rank *pari passu* in all respects for return of capital on liquidation, winding up or dissolution of EDS and participation in the distribution of surplus assets of EDS with all other shares in the capital of EDS for the time being in issue.

Conversion period: The period commencing from the Completion Date and ending on the third anniversary of the Completion Date.

EDS undertakes to the Preferred Shareholders that in the event that EDS is unable to effect conversion of any outstanding Preferred Shares for the reason of the minimum public float requirement under the GEM Listing Rules, it shall, once headroom for conversion of such outstanding Preferred Shares is available, effect conversion of such outstanding Preferred Shares into Ordinary EDS Shares to maximum extent possible even if such conversion may be made after the expiry of the Conversion Period.

Conversion price: HK\$0.40, subject to customary adjustment for, among other matters, consolidation or sub-division of Ordinary EDS Shares and capitalisation of profits or reserves.

Conversion rate: The conversion rate of each Preferred Share shall be determined by dividing the Subscription Price by the Conversion Price (subject to adjustment) in effect at the time of conversion, provided that the Conversion Price shall not be less than the then subsisting par value of an Ordinary EDS Share into which such Preferred Share is convertible.

Redemption: The Preferred Shares shall be non-redeemable.

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## LETTER FROM THE BOARD

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Given that the Preferred Shares are non-redeemable, any outstanding fully paid Preferred Shares, which are not converted into Ordinary EDS Shares, shall remain as part of the paid-up share capital in the statement of financial position of EDS after expiry of the three-year Conversion Period. According to the terms of the Preferred Shares, the Preferred Shares shall rank pari passu in all respects for return of capital on liquidation, winding up or dissolution of EDS and participation in the distribution of surplus assets of EDS with all other shares in the capital of EDS for the time being in issue.

### **The Specific Mandate for the issue of the Subscription Shares**

The Ordinary Subscription EDS Shares, the Preferred Shares and the Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent EDS Shareholders at the EDS SGM.

### **Ranking**

The Ordinary Subscription EDS Shares and the Conversion Shares will rank pari passu in all respects with the Ordinary EDS Shares in issue as at the date of allotment and issue of the Ordinary Subscription EDS Shares and the Conversion Shares respectively.

### **Listing application**

No application will be made for the listing of, or permission to deal in, the Preferred Shares on the Stock Exchange or any other stock exchange. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Ordinary Subscription EDS Shares and the Conversion Shares.

### **Conditions of the Subscription**

The Subscription is conditional upon satisfaction (or waiver (as described below)) of the following conditions:

1. the listing of the Ordinary EDS Shares not having been cancelled or withdrawn, the Ordinary EDS Shares continuing to be traded on GEM at all times from the date of the Subscription Agreement to the Completion Date (save for any temporary suspension pending announcement in connection with the Subscription Agreement (or such other period as the Subscriber may agree)) and neither the Stock Exchange nor the SFC having indicated that either one of them will qualify, object to, cancel or withdraw such listing and/or dealings in the Ordinary EDS Shares for reasons related to or arising from the transactions contemplated under the Subscription Agreement;

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## LETTER FROM THE BOARD

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2. the passing of a resolution by the Independent EDS Shareholders in the EDS SGM approving, among other things:
  - 2.1 the execution, consummation and completion of the Subscription Agreement;
  - 2.2 the Redesignation Resolution;
  - 2.3 the Specific Mandate;
  - 2.4 where required under the GEM Listing Rules, the terms of Master Supply Agreement and the transactions contemplated thereunder and authorising its execution thereof;
  - 2.5 a special resolution for amending the Bye-laws in respect of, among others, the creation, allotment and issue of a class of Preferred Shares with the rights, obligations and privileges attaching thereto;
3. the passing of a resolution by the Shareholders (or independent Shareholders, where applicable) in the SGM approving, among other things, the Subscription which constitutes a deemed disposal and major transaction of the Company under the Listing Rules;
4. the Stock Exchange having granted approval of the listing of, and permission to deal in, (i) the Ordinary Subscription EDS Shares and (ii) the Conversion Shares and such approval and granting of permission not having been withdrawn or revoked;
5. EDS having obtained all consent from the relevant governmental or regulatory authorities which are necessary to be obtained for the execution and performance of the Subscription Agreement by EDS and any of the transactions contemplated under the Subscription Agreement and the Master Supply Agreement;
6. the warranties specified in the Subscription Agreement remaining true, accurate and not misleading in all material respects at Completion by reference to the facts and circumstances subsisting as at the Completion Date;
7. EDS having complied fully with the pre-Completion obligations specified in the Subscription Agreement (including EDS procuring each member of the EDS Group to (i) carry on its business in the ordinary and usual course in accordance with all applicable laws, regulations and other requirements having the force of law in the same manner as it was operated prior to the date of the Subscription Agreement and

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## LETTER FROM THE BOARD

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- use its reasonable endeavours to maintain its trade and trade connections; (ii) settle all debts incurred in the ordinary and usual course of business within the applicable periods of credit; and (iii) give to the Subscribers as soon as reasonably practicable full details of any material change in its business, financial position and/or assets until Completion) and otherwise having performed in all material respects all of the covenants and agreements required to be performed by it under the Subscription Agreement;
8. there having been no material adverse change since the date of the Subscription Agreement;
  9. EDS having obtained all consent from third parties which are necessary to be obtained for the execution and performance of the Subscription Agreement and the Master Supply Agreement by EDS and any of the transactions contemplated under the Subscription Agreement and the Master Supply Agreement;
  10. no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint or prohibition preventing the consummation of the transactions contemplated under the Subscription Agreement and the Master Supply Agreement shall be in effect, nor shall any action have been taken by any person seeking any of the foregoing, and no statute, rule, regulation or order shall have been enacted, enforced or deemed applicable to the transactions contemplated under the Subscription Agreement or the Master Supply Agreement, which makes the consummation of which illegal;
  11. no statute, regulation or decision which would prohibit or restrict the execution, delivery or performance of the Subscription Agreement or the Master Supply Agreement, the consummation of the transactions contemplated under the Subscription Agreement and the Master Supply Agreement having been proposed, enacted or taken by any governmental or official authority whether in Hong Kong, the PRC or elsewhere; and
  12. Xing Hang having procured the delivery of a legal opinion (in the agreed form) addressed to EDS to be issued by a PRC law firm acceptable to EDS confirming, among other matters: (i) the power and authority of Donica to perform its obligations under the Master Supply Agreement; (ii) the legality, validity and enforceability of the Master Supply Agreement and the transactions contemplated thereunder; (iii) the validity of the relevant consents required to be obtained by the EDS Group for the transactions contemplated under the Master Supply Agreement; and (iv) such other matters as may be reasonably required by EDS.

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## LETTER FROM THE BOARD

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The Subscribers may, jointly but not severally, in their absolute discretion waive conditions 6, 7 and 8 at any time by notice in writing to EDS. EDS may in its absolute discretion waive condition 12 at any time by notice in writing to the Subscribers. Conditions 1, 2, 3, 4, 5, 9, 10 and 11 cannot be waived by any party to the Subscription Agreement. Condition 12 cannot be waived by the Subscribers.

In the event that any of the above conditions shall not have been fulfilled or waived (as applicable) prior to the Long Stop Date, then none of EDS nor the Subscribers shall be bound to proceed with the transactions contemplated under the Subscription Agreement and the Subscription Agreement shall cease to be of any effect save for, among others, as to any antecedent breach of the Subscription Agreement.

As at the Latest Practicable Date, none of the above conditions have been fulfilled or waived.

### **Completion**

Completion shall take place within five Business Days from and excluding the day on which the last of the conditions precedent of the Subscription Agreement has been fulfilled or waived. At Completion, the Subscribers shall subscribe for, and EDS shall allot and issue to such Subscribers, their respective number of Ordinary Subscription EDS Shares and Preferred Shares.

### **LOCK-UP UNDERTAKINGS IN RELATION TO THE SUBSCRIPTION SHARES**

Xing Hang has entered into the Xing Hang's Lock-Up Undertaking, pursuant to which Xing Hang has undertaken to EDS that, effective from Completion, it will not, and will procure that none of its intermediate company(ies) (i.e. company(ies) through which Xing Hang directly or indirectly holds interests in the Subscription Shares) will, unless with the prior written consent of EDS, dispose of, transfer or sell all and any of (i) the Ordinary Subscription EDS Shares; and (ii) any Ordinary EDS Shares deriving therefrom as a result of share consolidation, subdivision or bonus issue, for a period during two years from Completion Date (the "**Xing Hang's Lock-up Period**"), provided that such restriction may be released and discharged by EDS with the consent of the EDS Board.

Pursuant to the Xing Hang's Lock-Up Undertaking, Xing Hang has also undertaken to EDS that, effective from Completion, it will procure that Mr. Cai Zhaoyang (who is the majority shareholder and the sole director of Xing Hang) will continue to hold not less than 50% shareholding (whether directly and indirectly) in Xing Hang during the Xing Hang's Lock-up Period, provided that such restriction may be released and discharged by EDS with the consent of the EDS Board.

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## LETTER FROM THE BOARD

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The Subscribers have entered into the Subscribers' Lock-Up Undertaking, pursuant to which each of the Subscribers has severally (but not jointly) undertaken to the Company that, effective from Completion, it will not, and will procure that none of its respective intermediate company(ies) (i.e. company(ies) through which the respective Subscriber(s) directly or indirectly hold(s) interests in the Subscription Shares) will, unless with the prior written consent of the Company, dispose of, transfer or sell all and any of (i) the Ordinary Subscription EDS Shares and/or Preferred Shares; and (ii) any Conversion Shares, for the period during which the Company remains directly or indirectly interested in 22,490,150 Ordinary EDS Shares (representing 5.00% of the issued share capital of EDS as enlarged by the allotment and issue of the Ordinary Subscription EDS Shares and the Conversion Shares (assuming there is no adjustment to the Conversion Price in accordance with the terms of the Preferred Shares and that there is no other change in the number of the Ordinary EDS Shares in issue)) or more, or for one year from the Completion Date, whichever is earlier (the "**Subscribers' Lock-up Period**"), provided that such restriction may be released and discharged by the Company with the consent of the Board.

Pursuant to the Subscribers' Lock-Up Undertaking, each of the Subscribers has also severally (but not jointly) undertaken to the Company that, effective from Completion, it will procure that its beneficial owner(s) (direct or indirect) will not, unless with the prior written consent of the Company, dispose of, transfer or sell all and any of his/her/its shareholding in the relevant Subscriber of which he/she/it is a beneficial owner, whether directly or indirectly held, during the Subscribers' Lock-up Period, provided that such restriction (or any part thereof) may be released and discharged by the Company with the consent of the Board.

### REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The EDS Group is principally engaged in the development, distribution and marketing of personal care treatments, products and services.

As mentioned in EDS's annual report for the six months ended 31 December 2014, the management of EDS noted detrimental factors affecting the local retail market in Hong Kong, including the slowdown of the growth of Mainland visitors to Hong Kong and the weakening of Mainland tourists' spending powers. As mentioned in the announcement of the Census & Statistics Department of the Hong Kong Government in June 2014, the total retail sales value in April 2014 fell 9.8% year-on-year. After netting out the effect of price changes over the same period, the total retail sales volume in April 2014 fell 9.5% year-on-year.



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## LETTER FROM THE BOARD

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The EDS Directors are of the view that the Subscription represents a valuable opportunity for the EDS Group to bring in the Subscribers as strategic investors. The Subscribers (in particular the background of Mr. Cai Zhaoyang, who is the majority shareholder and the sole director of Xing Hang) have extensive experience, strong expertise and a wide business network in the avionic engineering and service business industry in the PRC. The EDS Directors consider that entering into of the Subscription Agreement represents a good opportunity for the EDS Group to (i) raise a substantial amount of additional funds, which provides the EDS Group with the financial flexibility necessary for future business development in the New Business in parallel to its existing business; (ii) improve its financial position and liquidity; and (iii) leverage the expertise and business network of Mr. Cai Zhaoyang to take advantage of the expected strong growth in the avionic engineering and service business sector in the PRC.

WIFI connection and telecommunication have become a trend in ground-air connectivity for European and American airlines in recent years. The European Union has already approved in-flight cell phone calls, SMS, and email services in its airspace. Various countries are paying increasing attention to this market. It is reported that nearly all of the major American airlines now provide internet access for ground-air connectivity, with service charges ranging from USD5.00 to USD9.00 per hour.

In view of the increasingly fierce global competition of the civil aviation market, EDS understands that the Chinese airline companies are also considering providing internet access services similar to what their foreign counterparts are currently doing. To date, certain state-owned Chinese airlines have started in-flight WIFI service trials, indicating that the Chinese civil aviation industry has realised the demand for ground-air connectivity and the inconvenience that information isolation during flights may bring.

Compared to the booming of in-flight WIFI service abroad, such services in the PRC are still at the start-up stage, and have not yet been put into mass commercial use. In December 2014, the Civil Aviation Administration of China, which is the Chinese civil aviation authority, forecasted that the number of air travelers in the PRC would reach approximately 390 million in 2014, representing a 10.10% year-on-year increase, and that the civil aviation market would have targeted passenger traffic of 430 million in 2015.

According to a statistical report issued by China Internet Network Information Center (being an organisation set up by the Computer Internet Information Center of Chinese Academy of Sciences pursuant to a decision of the Office of the Information Work Leading Group of the State Council of the PRC responsible for (i) the operation and administration of the Internet in the PRC; (ii) security of the Internet in the PRC; (iii) research on Internet development and technology; (iv) provision of consultancy services; and (v) promotion of global cooperation and exchange of Internet technology) in July 2014, by the end of

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## LETTER FROM THE BOARD

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June 2014, the PRC had 632 million Internet users, representing an increase of 14.42 million as compared with that at the end of 2013. The Internet penetration rate was 46.9%, representing a growth of 1.1% as compared with that at the end of 2013. In the first half of 2014, Internet users who surfed the Internet via mobile phones rose from 81.0% to 83.4% during such period.

As the majority of the PRC's air passengers are now frequent flyers, EDS believes that in-flight WIFI services will become an increasingly influential factor for many passengers when making flight purchase decisions and therefore, it is expected that Chinese airline companies will allocate more resources to introduce new innovative services, such as in-flight shopping, through in-flight WIFI service that enhance passengers' travel experience. As such, EDS believes that there are good opportunities to develop business relating to the New Business in the PRC which will facilitate the provision of in-flight WLAN or WIFI connections.

The majority shareholder and the sole director of Xing Hang, Mr. Cai Zhaoyang, is also the controlling shareholder (as defined in the Listing Rules) of Donica, which is a manufacturer of, among others, in-flight entertainment systems and avionic systems, and a service provider for repairment of the in-flight entertainment systems (please refer to the section headed "INFORMATION ON DONICA" below for further information on Donica). As further detailed in the section headed "USE OF PROCEEDS FROM THE SUBSCRIPTION", EDS plans to use the net proceeds from the Subscription substantially to finance the development of the New Business in the PRC and other regions by stages in cooperation with Donica as stipulated under the Master Supply Agreement. EDS plans that the EDS Group will source and sign contracts with airline companies to provide them with different in-flight WLAN and WIFI engineering and services, which is expected to include the provision of WLAN and WIFI equipment, and installation and maintenance services. Depending on the mode of cooperation between the EDS Group and the airline companies, the EDS Group may or may not charge the airline companies for the provision of WLAN or WIFI equipment to them but may earn/share any income from the use of the WLAN or WIFI systems for advertising and shopping on the airplanes which use the EDS Group's in-flight technology and connectivity solutions. EDS envisages that the first stage of the in-flight WLAN or WIFI services to be provided by the EDS Group will only cover in-flight connection to the airplane's server system which will enable the provision of a wider choice of information and entertainment services and in-flight shopping experience to the passengers while connection to the Internet will be available when the airplane's server system is connected to the Internet via satellites or ground-air stations. As at the Latest Practicable Date, EDS had not entered into any agreements or memorandum of understanding with any airline companies.

Subject to the EDS Group obtaining of the Qualifications, the EDS Group will further expand into the production of the in-flight WLAN or WIFI connection equipment.

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## LETTER FROM THE BOARD

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In terms of the provision of on-line contents via the EDS Group's in-flight WLAN or WIFI network in the future, the EDS Group will enter into a series of contractual arrangements with a PRC domestic company. Such PRC domestic company will apply for all necessary licenses and/or enter into cooperative arrangements with entities holding required licenses for providing airline companies services relating to online-shopping, game, video and other contents which can be accessed by passengers via wireless network on retrofit aircraft which are equipped with the in-flight WLAN or WIFI connection equipment supplied by the EDS Group.

EDS intends to nominate Mr. Cai Zhaoyang as a new executive EDS Director to the EDS Board and such appointment will not take effect earlier than the date of posting of the composite offer and response document in relation to the Offer, subject to the requirements of the Takeovers Code. Further information of Mr. Cai Zhaoyang is set out in the section headed "INFORMATION ON THE SUBSCRIBERS". In preparation, the EDS Group has recently set up a wholly foreign-owned enterprise in the PRC and is in the process of building its own team for the New Business. EDS understands from Xing Hang that Xing Hang will use its best endeavours to procure the EDS Group to obtain the Qualifications within 18 months after the Loan is advanced pursuant to the undertaking given by Xing Hang to Success Far under the Term Loan Agreement. The Qualifications will enable the EDS Group to manufacture the in-flight WLAN or WIFI connection equipment to be used on airplanes in the PRC.

The EDS Directors consider that the terms of the Subscription Agreement are fair and reasonable and the transactions contemplated thereunder are in the interests of EDS and the EDS Shareholders as a whole.

The Board has considered the reasons for and benefits of the Subscription considered by the EDS Board as stated above. The Board concurs with the EDS Board that the Subscription will be in the interests of EDS and the EDS Shareholders as a whole (including the Company).

Whilst the shareholding interest of the Company in EDS will significantly be diluted as a result of the Subscription, the Directors consider that, following Completion, the Remaining Group as a shareholder holding 52,500,000 Ordinary EDS Shares will continue to benefit from the increase in market price of Ordinary EDS Shares driven by the improvement in the EDS Group's profitability.

Based on the above, the Board considers that the Subscription is in the interests of the Company and the Shareholders as a whole. The terms of the Subscription are fair and reasonable and the Subscription Agreement was entered into on normal commercial terms.

## LETTER FROM THE BOARD

As at the Latest Practicable Date, the Directors had no concrete plan on the 52,500,000 Ordinary EDS Shares held by the Remaining Group.

### EFFECT ON SHAREHOLDING STRUCTURE OF EDS

As at the date of the Joint Announcement and the Latest Practicable Date, EDS had no outstanding convertible securities, options, warrants or derivatives in issue which are convertible or exchangeable into Ordinary EDS Shares.

The table below sets out the effect of the Subscription on the shareholding structure of EDS immediately upon (i) Completion, assuming no Preferred Shares are converted; and (ii) Completion and conversion in full of the Preferred Shares, assuming no further Ordinary EDS Shares will be issued between Completion and the date until all of the Preferred Shares have been fully converted.

|   | As at the Latest Practicable Date |                | Immediately upon Completion assuming no Preferred Shares are converted |                | Immediately upon Completion and conversion in full of the Preferred Shares, assuming no further Ordinary EDS Shares are issued (Note 10) |                |
|---|-----------------------------------|----------------|--|----------------|--|----------------|
|   | Number of Ordinary EDS Shares     | Approximate %  | Number of Ordinary EDS Shares  | Approximate %  | Number of Ordinary EDS Shares  | Approximate %  |
| <b>The Company (Note 1)</b>                                     | 52,500,000                        | 70.18%         | 52,500,000   | 12.51%         | 52,500,000   | 11.67%         |
| <b>The Subscribers, who are parties acting in concert</b>       |                                   |                |  |                |  |                |
| Xing Hang (Note 2)  | —                                 | 0.00%          | 179,921,200  | 42.86%         | 179,921,200  | 40.00%         |
| Goldenland (Note 3)   | —                                 | 0.00%          | 45,396,178   | 10.81%         | 45,396,178   | 10.09%         |
| Silver Empire (Note 4)  | —                                 | 0.00%          | 37,861,665   | 9.02%          | 37,861,665   | 8.42%          |
| Truly Elite (Note 5)  | —                                 | 0.00%          | 41,628,921   | 9.92%          | 41,628,921   | 9.25%          |
| High Aim (Note 6)   | —                                 | 0.00%          | 26,697,946   | 6.36%          | 56,697,946   | 12.61%         |
| First Bonus (Note 7)  | —                                 | 0.00%          | 13,494,090   | 3.21%          | 13,494,090   | 3.00%          |
| <b>Existing public EDS Shareholders</b>                         |                                   |                |  |                |  |                |
| Kingston Securities Limited (Note 8)                            | 96                                | 0.00%          | 96   | 0.00%          | 96   | 0.00%          |
| Other public EDS Shareholders                                   | 22,302,904                        | 29.82%         | 22,302,904   | 5.31%          | 22,302,904   | 4.96%          |
| <b>Total</b>  | <b>74,803,000</b>                 | <b>100.00%</b> | <b>419,803,000</b>   | <b>100.00%</b> | <b>449,803,000</b>   | <b>100.00%</b> |
| <b>Total public shareholding (Note 9)</b>                       | <b>22,303,000</b>                 | <b>29.82%</b>  | <b>141,985,622</b>   | <b>33.82%</b>  | <b>101,793,586</b>   | <b>22.63%</b>  |
| <b>Xing Hang and parties acting in concert with it (Note 9)</b> | <b>52,500,096</b>                 | <b>70.18%</b>  | <b>397,500,096</b>   | <b>94.69%</b>  | <b>427,500,096</b>   | <b>95.04%</b>  |
| <b>Number of Ordinary EDS Shares subject to the Offer</b>       | <b>38,302,904</b>                 | <b>51.21%</b>  | <b>38,302,904</b>  | <b>9.12%</b>   | <b>38,302,904</b>  | <b>8.52%</b>   |

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## LETTER FROM THE BOARD

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*Notes:*

1. As at the Latest Practicable Date, New Cove was interested in 52,500,000 Ordinary EDS Shares. As New Cove is a wholly owned subsidiary of the Company, the Company is deemed to be interested in such 52,500,000 Ordinary EDS Shares.
2. Xing Hang is ultimately owned as to 82.5% by Mr. Cai Zhaoyang, 7.5% by Mr. Lin Fan, 3.75% by Ms. Xu Yaping, 3.75% by Mr. Guo Pengcheng and 2.5% by Mr. Chen Jie.
3. Goldenland is ultimately owned as to 50% by Mr. Liu Jin and 50% by Ms. Xue Siman. Goldenland is a party acting in concert with Xing Hang.
4. Silver Empire is wholly owned by Genius Earn Limited which is ultimately wholly owned by Mr. Liu Xiao Lin. As (i) Silver Empire is not a director, chief executive or substantial shareholder of EDS or any of its subsidiaries or a close associate of any of them (collectively, “**Core Connected Person(s)**”); (ii) its subscription of its portion of the Subscription Shares is not financed by any Core Connected Person; and (iii) it is not accustomed to take instructions from any Core Connected Persons in relation to the acquisition, disposal, voting or other disposition of its portion of the Subscription Shares; and (iv) given that Silver Empire will not as a result of the Subscription or otherwise become a Core Connected Person upon Completion and upon full conversion of the Preferred Shares as shown above, it shall be regarded as a public EDS Shareholder upon Completion and upon full conversion of the Preferred Shares. Silver Empire is a party acting in concert with Xing Hang.
5. Truly Elite is ultimately wholly owned by Mr. Yeung Heung Yeung. As (i) Truly Elite is not a Core Connected Person; (ii) its subscription of its portion of the Subscription Shares is not financed by any Core Connected Person; and (iii) it is not accustomed to take instructions from any Core Connected Persons in relation to the acquisition, disposal, voting or other disposition of its portion of the Subscription Shares; and (iv) given that Truly Elite will not as a result of the Subscription or otherwise become a Core Connected Person upon Completion and upon full conversion of the Preferred Shares as shown above, it shall be regarded as a public EDS Shareholder upon Completion and upon full conversion of the Preferred Shares. Truly Elite is a party acting in concert with Xing Hang.
6. High Aim is ultimately wholly owned by Mr. Ko Chun Shun, Johnson. As (i) High Aim is not a Core Connected Person; (ii) its subscription of its portion of the Subscription Shares is not financed by any Core Connected Person; and (iii) it is not accustomed to take instructions from any Core Connected Persons in relation to the acquisition, disposal, voting or other disposition of its portion of the Subscription Shares; and (iv) given that High Aim will not as a result of the Subscription or otherwise become a Core Connected Person upon Completion as shown above, it shall be regarded as a public EDS Shareholder upon Completion. High Aim is a party acting in concert with Xing Hang. Upon full conversion of the Preferred Shares (assuming no further Ordinary EDS Shares are issued), High Aim will become a Core Connected Person and therefore will not be regarded as a public EDS Shareholder upon full conversion of the Preferred Shares.
7. First Bonus is a wholly owned subsidiary of Reorient Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by REORIENT Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. Mr. Ko Chun Shun, Johnson is an executive director and the controlling shareholder (as defined under the Listing Rules) of REORIENT Group Limited. As (i) First Bonus is not a Core Connected Person; (ii) its subscription of its portion of the Subscription Shares is not financed by any Core Connected Person; and (iii) it is not accustomed to take instructions from any Core Connected Persons in relation to the acquisition, disposal, voting or other disposition of its portion of the Subscription Shares; and (iv) given that First Bonus will not as a result of the Subscription or otherwise become a Core Connected Person upon Completion as shown above, it shall be regarded as a public EDS Shareholder upon Completion. First Bonus is a party acting in concert with Xing Hang. Upon full

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## LETTER FROM THE BOARD

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conversion of the Preferred Shares (assuming no further Ordinary EDS Shares are issued), First Bonus will become a Core Connected Person and therefore will not be regarded as a public EDS Shareholder upon full conversion of the Preferred Shares.

8. As (i) Kingston Securities Limited is not a Core Connected Person; and (ii) will not as a result of the Subscription or otherwise become a Core Connected Person upon Completion and upon full conversion of the Preferred Shares as shown above, it shall be regarded as a public EDS Shareholder upon Completion and upon full conversion of the Preferred Shares. Kingston Securities Limited is a party acting in concert with Xing Hang.
9. Some of the Subscribers (being parties acting in concert with Xing Hang) will be regarded as public EDS Shareholders upon Completion and/or full conversion of the Preferred Shares. Accordingly, there are overlaps between the public EDS Shareholders and Xing Hang and parties acting in concert with it and therefore the aggregate of the percentage shareholding of public EDS Shareholders and the percentage shareholding of Xing Hang and parties acting in concert with it add up to over 100%.
10. This scenario is shown for illustrative purposes only. Conversion of any Preferred Shares will be limited by EDS being able to comply with the minimum public float requirements under the GEM Listing Rules immediately after Conversion.

### INFORMATION ON THE EDS GROUP

The EDS Group is principally engaged in the development, distribution and marketing of personal care treatments, products and services.

EDS is a 70.18% owned subsidiary of the Company.

The table below sets out the audited consolidated net loss of the EDS Group for the two years ended 30 June 2013 and 2014 and the six months ended 31 December 2014 and the unaudited consolidated net loss of the EDS Group for the six months ended 30 June 2015 (being the latest financial information of the EDS Group published in compliance with the GEM Listing Rules):

|                          | <b>For the six<br/>months ended<br/>30 June<br/>2015<br/>HK\$ '000<br/>(unaudited)</b> | <b>For the six<br/>months ended<br/>31 December<br/>2014<br/>HK\$ '000<br/>(audited)</b> | <b>For the<br/>year ended<br/>30 June<br/>2014<br/>HK\$ '000<br/>(audited)</b> | <b>For the<br/>year ended<br/>30 June<br/>2013<br/>HK\$ '000<br/>(audited)</b> |
|--------------------------|--|--|--|--|
| Loss before tax          | (7,110)  | (46,216)   | (10,131)   | (23,568)   |
| Loss for the period/year | (7,458)  | (47,043)   | (10,618)   | (23,568)   |

*Note:* The financial year end date of EDS has been changed from 30 June to 31 December commencing from the financial year ended 31 December 2014 (further information is described in EDS's announcement dated 15 October 2014).

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## LETTER FROM THE BOARD

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As set out in the interim report of EDS for the six months ended 30 June 2015, the decline in growth of the number of Mainland visitors to Hong Kong and in their spending powers have adversely affected the whole retail sector in Hong Kong. The revenue derived from the sale of beauty products and provision of therapy services under the brand name “Evidens de Beauté” recorded a substantial decrease as compared with that of the last corresponding period. In view of the aforesaid, EDS intends to focus the operations under the brand name “Evidens de Beauté” on the sale of products on a wholesale basis at Lyndhurst Terrace. In connection with such plan, the sales office in Kwun Tong will be relocated to Lyndhurst Terrace and the spa, facial sahos, body treatments and wellness massages services at Lyndhurst Terrace have ceased. With regard to the operation of China Honest in view of its satisfactory performance, the EDS Group will maintain its present scale of operations in the sale of beauty products and provision of therapy and consultancy services. The EDS Group will allocate resources to China Honest to promote the brand name “COLLAGEN+”, broaden its client base and enhance its competitiveness.

### INFORMATION ON THE SUBSCRIBERS

Xing Hang is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately owned as to 82.5% by Mr. Cai Zhaoyang (who is the majority shareholder and the sole director of Xing Hang), 7.5% by Mr. Lin Fan, 3.75% by Ms. Xu Yaping, 3.75% by Mr. Guo Pengcheng and 2.5% by Mr. Chen Jie. Mr. Cai Zhaoyang, is also the controlling shareholder (as defined in the Listing Rules) of Donica, which is a manufacturer of, among others, in-flight entertainment systems and avionic systems, and a service provider for repairment of the in-flight entertainment systems (please refer to the section headed “INFORMATION ON DONICA” below for further information on Donica).

Mr. Cai Zhaoyang, aged 38, is a founder of Donica (details of Donica are set out in the section headed “INFORMATION ON DONICA” below). He has been a shareholder of Donica since the incorporation of Donica in 2003. Mr. Cai joined Donica as a supervisor in May 2007 and has become a director of Donica since October 2007. Mr. Cai is the sole director of Xing Hang. Mr. Cai has extensive experience, strong expertise and a wide business network in the avionic engineering and service business industry in the PRC. Mr. Cai also serves as a deputy director and a council member of Shenzhen Institute of Avionics Technology (深圳市航電技術研究院), which is a non-state owned institute established by Mr. Cai focusing on, among others, (i) technology research in the field of avionics; and (ii) research in the standards for avionics technology.

Leveraging Mr. Cai’s experience, Donica developed avionics products which obtained, among others, the certificates and approvals from the Civil Aviation Administration of China, Federal Aviation Administration and European Aviation Safety Agency. Donica’s

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## LETTER FROM THE BOARD

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quality management system also obtained AS9100 certificate (being a standardised quality management system for the aerospace industry released by The International Aerospace Quality Group) and complies with requirements of the Civil Aviation Administration of China, Federal Aviation Administration and European Aviation Safety Agency. Mr. Cai graduated from Xidian University majoring in electromagnetic field and microwave technology in 1998 in the PRC.

Goldenland is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately owned as to 50% by Mr. Liu Jin and 50% by Ms. Xue Siman.

Silver Empire is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly owned by Genius Earn Limited which is ultimately wholly owned by Mr. Liu Xiao Lin.

Truly Elite is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately wholly owned by Mr. Yeung Heung Yeung.

High Aim is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately wholly owned by Mr. Ko Chun Shun, Johnson.

First Bonus, a company incorporated in the British Virgin Islands with limited liability, is a wholly owned subsidiary of Reorient Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly owned by REORIENT Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. REORIENT Group Limited is principally engaged in securities broking, placing and underwriting, and provision of consultancy and advisory services. Mr. Ko Chun Shun, Johnson is an executive director and the controlling shareholder (as defined under the Listing Rules) of REORIENT Group Limited.

Apart from the aforesaid relationship between High Aim and First Bonus, and the Subscribers being parties to (as the case may be) the Subscription Agreement, the Term Loan Agreement entered into between Xing Hang (as borrower) and Success Far (as lender) for the purpose of financing the Subscription, the Subscribers' Lock-Up Undertaking, the Offer Non-Acceptance Undertaking and the loan agreement entered into between Xing Hang (as borrower) and High Aim (as lender) dated 17 February 2015 for the purpose of financing the cash consideration payable by Xing Hang under the Offer, each Subscriber and its ultimate beneficial owners are independent from each of other Subscribers and their respective ultimate beneficial owners. Apart from the aforesaid agreements and undertaking, there are no other agreements or arrangements (either explicit or implicit) or understanding (whether formal or informal) entered into between the Subscribers in connection with or are related to the Subscription.



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## LETTER FROM THE BOARD

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### INFORMATION ON DONICA

Donica is owned by Mr. Cai Zhaoyang (who is the majority shareholder and the sole director of Xing Hang) as to 41.9825%, Mr. Xie Yuehui as to 18.75%, Mr. Lin Fan (who is a minority shareholder of Xing Hang) as to 17.625%, Mr. Jin Yi as to 12%, Mr. Li Chengjun as to 6.5175% and Mr. Guo Pengcheng (who is a minority shareholder of Xing Hang) as to 3.125%. EDS understands from Donica that it is a manufacturer of, among others, in-flight entertainment systems and avionic systems, and a service provider for repairment of the in-flight entertainment systems. EDS understands from Donica that the In-flight WLAN and WIFI Equipment is part of the products manufactured and offered by Donica and taking into account of EDS's interest in the business of providing in-flight WLAN or WIFI engineering and services and EDS's resources (including the fund generated from the Subscription). Donica wishes to join force with EDS to develop the New Business in the PRC.

Donica is a third party independent of EDS, the Company and their respective connected persons.

### INFORMATION ON THE COMPANY

The Company is an investment holding company and its subsidiaries are principally engaged in distribution of films, sub-licensing of film rights, sale of financial assets, property investment, money lending, design and sale of jewelry products, and development, distribution and marketing of personal care treatments, products and services.

### FUTURE INTENTION OF THE SUBSCRIBERS REGARDING THE EDS GROUP

To the best of the EDS Directors' information, knowledge and belief after due enquiry with Xing Hang, Xing Hang, together with other Subscribers, intends to assist the EDS Group to develop the New Business in the PRC. As at the Latest Practicable Date, save for the possible sale and purchase of the In-flight WLAN and WIFI Equipment from Donica under the Master Supply Agreement, which is a revenue transaction necessary for the development of the New Business and the intention of Mr. Cai Zhaoyang in helping the EDS Group to obtain the Qualifications and other than in the ordinary course of the EDS Group's business which is considered by the EDS Directors to be necessary in the course of carrying out its principal activities, the Subscribers have not entered into any agreement, arrangements, understandings or negotiations in relation to the continued employment of the employees, disposal and/or redeployment of the assets (including the fixed assets) of the EDS Group, nor do the Subscribers have any intention to terminate or scale down of any of the EDS Group's business.

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## LETTER FROM THE BOARD

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### USE OF PROCEEDS FROM THE SUBSCRIPTION

The gross proceeds and the net proceeds from the Subscription are HK\$150.00 million and approximately HK\$135.00 million respectively. The net proceeds are to be applied as follows:

- (a) as to HK\$125.00 million for acquiring equipment and developing the New Business which include the provision of in-flight WLAN or WIFI connection equipment and/or other in-flight WLAN or WIFI connection solutions to airline companies; and
- (b) as to the remaining balance of approximately HK\$10.00 million for general working capital of the EDS Group.

### FINANCIAL EFFECTS OF THE SUBSCRIPTION

On 22 May 2014, the Group subscribed for the Previous Convertible Bonds in the principal amount of HK\$40.00 million at their face value for the purpose of participating in the development of the EDS Group and enabling the Group to diversify its business. The Previous Convertible Bonds did not bear any interest. The Company confirms that save for the consideration of HK\$40.00 million, the Group has not paid any other amount to the EDS Group for the subscription of the Previous Convertible Bonds. Subject to the compliance with the public float requirement by EDS, the Previous Convertible Bonds carried rights entitling the holders thereof to convert their principal amount into Ordinary EDS Shares at an initial conversion price of HK\$1.00 per Ordinary EDS Share. On 2 July 2014, the Group converted the principal amount of HK\$25.00 million of the Previous Convertible Bonds into 25,000,000 Ordinary EDS Shares at the initial conversion price of HK\$1.00 per Ordinary EDS Share. As a result of the conversion, EDS became a non-wholly owned subsidiary of the Company. On 22 July 2014, the Group subscribed for 12,500,000 new Ordinary EDS Shares under the Open Offer at a subscription price of HK\$3.00 per Ordinary EDS Share for maintaining its controlling level of shareholding interest in EDS and facilitating Open Offer for raising additional capital for repayment of outstanding debts of EDS. On 30 September 2014, the Group converted the remaining principal amount of HK\$15.00 million of the Previous Convertible Bonds into 15,000,000 Ordinary EDS Shares at the initial conversion price of HK\$1.00 per Ordinary EDS Share. The Company confirms that save for the consideration of HK\$40.00 million paid to the EDS Group for the subscription of the Previous Convertible Bonds, no additional payment was made by the Group to EDS Group upon the above conversion or any other conversion of the Previous Convertible Bonds. Based on the above, the acquisition cost is HK\$1.476 per Ordinary EDS Share.

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Upon Completion, the shareholding interest of the Remaining Group in EDS will be diluted from approximately 70.18% to approximately 11.67%. EDS will cease to be a subsidiary of the Company and the 52,500,000 Ordinary EDS Shares held by the Remaining Group will be accounted for as available-for-sale financial assets in the Remaining Group's consolidated statement of financial position in accordance with Hong Kong Accounting Standard 39: Financial Instruments: *Recognition and Measurement*. Upon Completion, the Group will no longer engage in the business of development, distribution and marketing of personal care treatments, products and services.

For illustration purpose, assuming that the Subscription had taken place on 30 June 2015, the financial effects of the Subscription are as follows:

### **Assets**

As at 30 June 2015, the unaudited consolidated total assets of the Group amounted to approximately HK\$2,562.99 million. If Completion had been taken place on 30 June 2015, the unaudited consolidated total assets of the Remaining Group would have been approximately HK\$2,870.40 million.

### **Earnings**

According to the unaudited consolidated statement of profit or loss of the Group for the six months ended 30 June 2015, the profit attributable to the owners of the Company for the six months ended 30 June 2015 amounted to approximately HK\$244.34 million. Assuming that the Completion had been taken place on 30 June 2015, the Remaining Group would have recorded a gain of approximately HK\$391.76 million as a result of the Deemed Disposal and an unaudited profit attributable to the owners of the Company for the six months ended 30 June 2015 of approximately HK\$636.10 million.

The gain on the Deemed Disposal of approximately HK\$391.76 million is calculated based on the fair value of the 52,500,000 Ordinary EDS Shares held by the Remaining Group, being approximately HK\$535.50 million, based on the closing price of HK\$10.20 per Ordinary EDS Share as at 30 June 2015 minus (i) the carrying amount of the consolidated net assets value of the EDS Group attributable to the Remaining Group as at 30 June 2015 and adjusted for the financial effects of the Subscription (assuming that all Preferred Shares are converted into 30,000,000 Conversion Shares at the Conversion Price and that no further Ordinary EDS Shares are issued or bought back by EDS) attributable to the Remaining Group, being approximately HK\$13.13 million, (ii) the carrying amount of the goodwill on acquisition of EDS as at 30 June 2015, being approximately HK\$89.27 million, and (iii) the carrying amount of other reserve arising from change in ownership interests in EDS after EDS becoming a subsidiary of the Company as at 30 June 2015, being approximately HK\$41.34 million.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Directors had no concrete plan on the 52,500,000 Ordinary EDS Shares held by the Remaining Group.

### **Liabilities**

As at 30 June 2015, the unaudited consolidated total liabilities of the Group amounted to approximately HK\$177.79 million. If Completion had been taken place on 30 June 2015, the unaudited consolidated total liabilities of the Remaining Group would have been approximately HK\$62.32 million.

It should note that the above financial effects of the Subscription are for illustration purpose only. The exact financial effects are dependent on the closing price of Ordinary EDS Shares on the date of Completion to be taken place and the carrying amount of the consolidated net assets value of the EDS Group attributable to the Remaining Group on the date of Completion to be taken place, and are subject to the review by the Company's auditors.

### **POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER**

Subject to fulfillment (or waiver as applicable) of the conditions precedent of the Subscription Agreement and following Completion, Xing Hang will own 179,921,200 Ordinary Subscription EDS Shares, representing approximately 240.53% of the Ordinary EDS Shares in issue as at the Latest Practicable Date and approximately 42.86% of the Ordinary EDS Shares in issue as at the Latest Practicable Date as enlarged by the allotment and issue of the Subscription Shares (assuming that no Preferred Shares are converted into Conversion Shares and that there is no other change in the number of Ordinary EDS Shares in issue). Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus, who are the other Subscribers, are considered parties acting in concert with Xing Hang. The Company, being the controlling shareholder (as defined under the GEM Listing Rules) of EDS, has undertaken to Xing Hang not to accept the Offer in respect of the 36,500,000 Ordinary EDS Shares held by the Group (further details in respect of the Company's undertaking are set out in the section headed "Undertakings in relation to the Offer" below) and the Subscribers have undertaken to the Company, among other things, not to sell their respective holdings in the Subscription Shares (including any Conversion Shares) within one year after Completion or during the period which the Company remains directly or indirectly interested in 22,490,150 Ordinary EDS Shares (representing 5.00% of the issued share capital of EDS as enlarged by the allotment and issue of the Ordinary Subscription EDS Shares and the Conversion Shares (assuming that there is no adjustment to the Conversion Price in accordance with the terms of the Preferred Shares and that there is no other change in the number of Ordinary EDS Shares in issue)) (whichever period is shorter). In view of these undertakings between the Company and the Subscribers (as

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## LETTER FROM THE BOARD

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further detailed in the sections headed “LOCK-UP UNDERTAKINGS IN RELATION TO THE SUBSCRIPTION SHARES” above and “Undertakings in relation to the Offer” below), the Company is regarded as a party acting in concert with Xing Hang. Kingston Securities Limited, being an agent to make the Offer, is also regarded as a party acting in concert with Xing Hang.

Upon Completion, Xing Hang and parties acting in concert with it will in aggregate be interested in 397,500,096 Ordinary EDS Shares, representing approximately 94.69% of the number of Ordinary EDS Shares in issue as enlarged by the allotment and issue of the Subscription Shares (assuming that no Preferred Shares are converted into Conversion Shares and that there is no other change in the number of Ordinary EDS Shares in issue). Upon full conversion of the Preferred Shares, Xing Hang and parties acting in concert with it will in aggregate be interested in 427,500,096 Ordinary EDS Shares, representing approximately 95.04% of the number of Ordinary EDS Shares in issue as enlarged by the allotment and issue of the Ordinary Subscription EDS Shares and the Conversion Shares (assuming that there is no adjustment to the Conversion Price in accordance with the terms of the Preferred Shares and that there is no other change in the number of Ordinary EDS Shares in issue).

Pursuant to Rule 26.1 of the Takeovers Code, Xing Hang will make the Offer. Save for the Group holding 52,500,000 Ordinary EDS Shares and Kingston Securities Limited holding 96 Ordinary EDS Shares as at the Latest Practicable Date, to the best of the EDS Directors’ information, knowledge and belief after due enquiry with Xing Hang, Xing Hang or the parties acting in concert with it do not own any Ordinary EDS Shares or securities in EDS.

The Offer will be made to all EDS Shareholders (excluding the holders of the Excluded EDS Shares). For the avoidance of doubt, the Offer will not be extended to: (i) the other Subscribers in respect of the Subscription Shares; (ii) Kingston Securities Limited in respect of the 96 Ordinary EDS Shares held by it; and (iii) the Company in respect of 36,500,000 Ordinary EDS Shares held by the Group, whilst the Offer will be extended to, among others, the Company in respect of 16,000,000 Ordinary EDS Shares held by the Group.

Pursuant to Rule 21.2 of the Takeovers Code, Xing Hang and parties acting in concert with it (including, among others, the other Subscribers, Kingston Securities Limited and the Company) are prohibited from selling any securities in EDS during the Offer Period unless with the Executive’s prior consent. None of Xing Hang and parties acting in concert with it will dispose of their holding in any securities in EDS during the Offer Period. For avoidance of doubt, the Company is prohibited from selling any of the 52,500,000 Ordinary EDS Shares held by the Group (comprising the 36,500,000 Ordinary EDS Shares in respect of which the Group is prohibited from accepting the Offer pursuant to the Offer

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## LETTER FROM THE BOARD

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Non-Acceptance Undertaking, and the 16,000,000 Ordinary EDS Shares in respect of which the Group is not prohibited from accepting the Offer pursuant to the Offer Non-Acceptance Undertaking) on market pursuant to Rule 21.2 of the Takeovers Code.

### **Undertakings in relation to the Offer**

The Company held indirectly 52,500,000 Ordinary EDS Shares as at the Latest Practicable Date. The Company has entered into the Offer Non-Acceptance Undertaking, pursuant to which the Company has undertaken to Xing Hang that the Company will not, and will procure that none of its intermediate company(ies) (i.e. company(ies) through which the Company directly or indirectly holds interests in the Ordinary EDS Shares) will, unless with the prior written consent of Xing Hang, accept the Offer in respect of 36,500,000 Ordinary EDS Shares held indirectly by the Company or any part thereof during the period while the Offer remains open for acceptance.

The Subscribers (other than Xing Hang) have also entered into the Offer Non-Acceptance Undertaking, pursuant to which each of Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus, each being a Subscriber, has severally (and not jointly) undertaken to Xing Hang that, each of them will not, and will procure that none of their respective intermediate company(ies) (i.e. company(ies) through which the respective Subscriber(s) directly or indirectly hold(s) interests in the Ordinary EDS Shares) will, unless with the prior written consent of Xing Hang, accept the Offer in respect of any of the Ordinary EDS Shares (including any the Ordinary Subscription EDS Shares or Conversion Shares held by any of them) during the period while the Offer remains open for acceptance.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Deemed Disposal are above 25% but all applicable ratios are less than 75%, the Subscription constitutes a major transaction of the Company. Accordingly, the Subscription is subject to the reporting, announcement and shareholders' approval requirements being complied with by the Company under the Listing Rules.

### **GENERAL**

The SGM will be convened and held for the purposes of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder. The voting in relation to the Subscription Agreement and the transactions contemplated thereunder at the SGM will be conducted by poll whereby any Shareholders and their close associates who have a material interest in the Subscription Agreement and the transactions

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## LETTER FROM THE BOARD

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contemplated thereunder shall abstain from voting on the resolutions in relation to the Subscription Agreement and the transactions contemplated thereunder to be proposed at the SGM.

To the best of the Directors' knowledge, none of the Shareholders is interested in the Subscription and, accordingly, no Shareholder is required to abstain from voting at the SGM in this regard.

**Warning: The Subscription is subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent set out under the section headed "Conditions of the Subscription" under "THE SUBSCRIPTION AGREEMENT" in this circular, including, among other things, approval by the Independent EDS Shareholders and approval of the Shareholders of the Subscription. As such, the Subscription may or may not proceed.**

**The Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.**

### SGM

The Directors have resolved to convene the SGM to consider and, if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder by the Shareholders.

The notice of SGM is set out on pages SGM-1 to SGM-2 of this circular. A proxy form for use by the Shareholders at the SGM is enclosed herewith. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time fixed for the SGM. The completion and return of the form of proxy will not preclude you from attending and voting at the SGM in person.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider that the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

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

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

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



**FINANCIAL INFORMATION INCORPORATED BY REFERENCE**

Financial information and management discussion and analysis of the Group for each of the three years ended 31 December 2012, 2013 and 2014 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.etsnityinv.com.hk>).

The audited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for the year ended 31 December 2014 have been set out in pages 67 to 231 and pages 6 to 37 respectively of the annual report 2014 of the Company which are incorporated by reference into this circular and are available on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the annual report 2014:

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

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

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

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

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

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

At the close of business on 31 August 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total borrowings of HK\$11,927,000 representing:

- (a) a loan of HK\$8,767,000 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\$3,098,000 advanced by Koffman Investment Limited, a company which is 50% owned by Mr. Yu Zhen Hua, Johnny (the former chairman of the EDS Board and a former EDS Director), which is interest bearing at 5.00% per annum, unsecured and maturing on 31 December 2015; and
- (c) the obligations under finance leases of HK\$62,000 of which (i) HK\$48,000 is interest bearing at 3.00% per annum and secured by a guarantee from Hong Kong Government, a joint and several guarantee from a director of a subsidiary and an Independent Third Party and the Group's title to the leased assets, and (ii) HK\$14,000 is non-interest bearing and secured by the Group's title to the leased assets.

**Contingent liabilities**

As at the close of business on 31 August 2015, the Group had the following material litigations and contingent liabilities:

- (a) On 15 April 2010, a claim was brought by China Finance & Assets Management Limited (“**China Finance**”) in 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 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. One Synergy has, as at the Latest Practicable Date, not been served with the writ.

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

Riche (BVI) Limited, a wholly owned subsidiary of the Company, acquired the entire issued share capital of Adelio Holdings Limited, which is the holding company of One Synergy, from Vartan Holdings Limited, an Independent Third Party, pursuant to a sale and purchase agreement dated 25 May 2011. One Synergy acquired the entire issued share capital of Rexdale from Lafe Corporation Limited, being one of the defendants, pursuant to a sale and purchase agreement dated 31 December 2010 (the “**Agreement**”). The entire issued share capital of Rexdale was sold by The Grande (Nominees) Ltd., being one of the plaintiffs, and The Grand Limited to Lafe Corporation Limited on or about 29 June 2007. The principal assets of Rexdale were the whole of the 1st floor and the flat roof, the whole of 6th to 12th floors, roof, external walls, two lavatories, three lorry parking spaces and eight private car parking spaces on the ground floor of an industrial building located in Kwun Tong, Kowloon, Hong Kong with a total gross floor of approximately 139,412 square feet exclusive of lavatories, lorry and private car parking spaces, flat roof and roof (collectively, the “**Kwun Tong Properties**”). The Kwun Tong Properties was sold by Rexdale to Grand Reward Limited, an Independent Third Party, in July 2013.

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

- (c) On 23 January 2015, EDS received a writ of summons in High Court Action No. 200 of 2015 issued by Mr. Shum Yeung (“**Mr. Shum**”) as plaintiff against EDS as defendant for the following claims:
- (i) the Judgment in High Court Action No. 1775 of 2012 dated 6 September 2013 (the “**Summary 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 31 August 2015, the Group had a total commitment of HK\$1,959,000,000 relating to:

- (a) the subscription of the second tranche of convertible notes to be issued by China Star in the principal amount of HK\$300,000,000 pursuant to the conditional subscription agreement dated 21 January 2011 (as amended by the supplemental agreements dated 28 March 2011, 29 June 2012 and 31 December 2013 entered into by the parties to the conditional subscription agreement). 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 Smart Title Limited and the assignment of the shareholder's loan due by Smart Title Limited (the "**Proposed Acquisition**") pursuant to the conditional sale and purchase agreement dated 11 December 2014 (as amended and supplemented by the supplemental agreements dated 30 March 2015 and 12 June 2015 entered into by the parties to the conditional sale and purchase agreement) entered into between the Company as purchaser, Unique Talent Group Limited, a wholly owned subsidiary of Jiu hao Health, as vendor and Jiu hao Health as guarantor on 11 December 2014. The consideration shall be settled as to (i) HK\$600,000,000 by cash and (ii) HK\$1,050,000,000 by the issue of a share entitlement note, which entitles the holder thereof to call for the allotment and issue of 1,500,000,000 new Shares at a price of HK\$0.70 per Share. 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 dated 11 December 2014 (as amended and supplemented by the supplemental agreements dated 30 March 2015 and 12 June 2015 entered into by the parties to the conditional sale and purchase agreement).

**Disclaimer**

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 August 2015, the Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other contingent liabilities.

Save as aforesaid, the Directors confirmed that there had been no material change to the indebtedness and contingent liabilities of the Group since 31 August 2015 and up to the Latest Practicable Date.

**WORKING CAPITAL**

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

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

As the Federal Reserve is still expected to raise its policy rate before the end of 2015, the Hong Kong equity market faces the challenges from a strong United States dollar and potential volatility from the Federal Reserve's policy normalisation. In addition, concerns over Mainland China'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 Remaining Group's equities portfolio mix from time to time and realise the Remaining Group's equities into cash as and when appropriate. The Remaining Group will continue to adopt a conservative investment approach in investing towards its sale of financial assets business in 2015.

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

To expand its property investment business into the PRC, the Company as purchaser entered into the conditional sale and purchase agreement (as amended and supplemented by the supplemental agreements dated 30 March 2015 and 12 June 2015 entered into by the parties to the conditional sale and purchase agreement) with Unique Talent Group Limited, a wholly owned subsidiary of Jiu hao Health, as vendor and Jiu hao Health as guarantor relating to the Proposed Acquisition on 11 December 2014. Smart Title Limited and its subsidiaries have two major assets, which are (i) the rights to manage and operate a membership-based golf club and resort in Beijing, the PRC (the “**Club**”) up to 31 December 2051 and (ii) the rights to develop and operate a land adjacent to the Club (the “**Subject Land**”) and the rights to manage the properties erected on the Subject Land up to 30 January 2062. Both the Club and the Subject Land are located in Beijing. The Subject Land is intended to be developed into a low-density deluxe hotel villas community and a high-end hotel apartment complex. The Remaining Group intends to hold the Club and the Subject Land as long-term investments for rental purposes. The Proposed Acquisition will be completed on 6 October 2015.

To broaden its revenue base, the Remaining Group as purchaser entered into a conditional sale and purchase agreement with Sino Credit Holdings Limited, a company listed on the Main Board of the Stock Exchange under stock code: 628, as vendor in relation to the sale and purchase of the entire equity interests of Best Volume Investments Limited at a consideration of HK\$400.00 million on 7 September 2015. The major asset of Best Volume Investments Limited is a commercial property located in Yuexiu District, Guangzhou, the PRC. The Remaining Group intends to hold the commercial property as long-term investment for rental purposes. The proposed acquisition of the entire equity interests of Best Volume Investments Limited constitutes a major transaction of the Company under the Listing Rules and is subject to the approval of the Shareholders in accordance with the requirements of the Listing Rules. The circular for convening the special general meeting for approving the proposed acquisition of the entire equity interests of Best Volume Investments Limited is being prepared and will be despatched to the Shareholders as soon as practicable.

With the active expansion in the second half of 2013 and the first half of 2014, the Remaining Group’s money lending business recorded a significant growth in the year ended 31 December 2014 as compared to the previous year. The Remaining Group will slow down its pace of expanding money lending business in 2015 as certain internal cash resources of the Remaining Group will be allocated to finance the operations of Smart Title Limited and its subsidiaries, if the Proposed Acquisition is completed. 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 do not expect any growth in EDS's sale of beauty products and provision of therapy services in 2015.

With a view to improve its profitability, EDS as issuer entered into the Subscription Agreement with the Subscribers relating to the Subscription on 17 February 2015. The Directors believe that the entering into of the Subscription Agreement represents a good opportunity for EDS to (i) raise a substantial amount of additional funds for future business development in in-flight WLAN and WIFI engineering and service business, which is in a segment difference from the existing business of EDS, (ii) improve its financial position and liquidity and (iii) leverage on the expertise and business network of Mr. Cai Zhaoyang, who is the majority shareholder and the sole director of Xing Hang, to take advantage of the expected strong growth in the avionic engineering and service business sector in the PRC. Upon Completion, the Remaining Group is deemed to dispose of a substantial percentage in its shareholding interest in EDS and EDS ceases to be a subsidiary of the Company. The Remaining Group's investment in EDS is accounted for as available-for-sale investment. The Directors consider that, following Completion, the Remaining Group as a shareholder holding 52,500,000 Ordinary EDS Shares will continue to benefit from the increase in market price of Ordinary EDS Shares driven by the improvement in the EDS Group's profitability.

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



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

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

### Long positions

#### a. Shares

| Name of Director           | Note     | Capacity                        | Number of issued Shares held | Approximate percentage of the issued share capital of the Company |
|----------------------------|----------|---------------------------------|------------------------------|---|
| Mr. Lei Hong Wai           | <i>1</i> | Held by controlled corporations | 211,416,000                  | 17.92%  |
| Mr. Cheung Kwok Wai, Elton | <i>1</i> | Held by controlled corporations | 211,416,000                  | 17.92%  |

| Name of Director        | Note     | Capacity                        | Number of issued Shares held | Approximate percentage of the issued share capital of the Company |
|-------------------------|----------|---------------------------------|------------------------------|---|
| Mr. Cheung Kwok Fan     | <i>1</i> | 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 International Limited (“**Twin Success**”) is owned as to 50% by Silver Pacific International Limited and as to 50% by Silver Pacific Development Limited. Silver Pacific International Limited is wholly owned by Mr. Lei Hong Wai. Silver Pacific Development Limited is owned as to 50% by Mr. Cheung Kwok Wai, Elton and as to 50% by Mr. Cheung Kwok Fan.

*b. Share options*

| Name of Director        | Capacity         | Number of share 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                       |

**3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS**

Save as disclosed below, as at the Latest Practicable Date, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors, no other person or companies had an interest or short positions in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who

were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

### Long positions

#### a. 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%   |
| 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 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. Share options**

| Name of Shareholder | Capacity         | Number of share 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 |
|-----------------------------|------|--------------------------------|--|-----------------------------|
| Unique Talent Group Limited | 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. Unique Talent Group Limited is a wholly owned subsidiary of Jiuhao Health.

**4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS**

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

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2014, being the date to which the latest published audited consolidated accounts of the Group were made up.

## **5. COMPETING INTEREST**

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 their respective associates had any business or interest that competes or may compete with the business of the Group or any other conflicts of interest with the Group.

## **6. LITIGATIONS**

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

- (a) On 15 April 2010, a claim was brought by China Finance in High Court Action No. 526 of 2010 against Rexdale for failing to pay a service fee in the sum of HK\$25.00 million 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 Company announced that it came to its attention that the writ of summons in High Court Action No. 9 of 2014 was issued by The Grande Holdings Limited (in liquidation), Roderick John Sutton (as joint and several provisional liquidator of The Grande Holdings Limited), Fok Hei Yu (as joint and several provisional liquidator of The Grande Holdings Limited) and 65 other companies listed as plaintiffs against 25 defendants inclusive of One Synergy. One Synergy has, as at the Latest Practicable Date, not been served with the writ.

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

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

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

- (c) On 23 January 2015, EDS received a writ of summons in High Court Action No. 200 of 2015 issued by Mr. Shum as plaintiff against EDS as defendant for the following claims:
- (i) the Summary Judgment be set aside;
  - (ii) loss and damages suffered by Mr. Shum as a result of the Summary 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.
- (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.

## **7. SERVICES CONTRACTS**

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

**8. MISCELLANEOUS**

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

**9. MATERIAL CONTRACTS**

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

- (a) the letter of extension dated 30 October 2013 and entered into between New Cove 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;
- (b) the irrevocable undertaking dated 5 November 2013 given by Eternity Finance to China Star and Kingston Securities Limited (i) not to exercise its conversion rights attached to the convertible bonds in the principal of HK\$225.00 million issued by China Star to the close of business on 25 November 2013, being the record date for determining the entitlement to the open offer as announced by China Star on 5 November 2013; and (ii) the convertible bonds in the principal of HK\$225.00 million registered in the name of and beneficially owned by Eternity Finance will remain registered in the name of and beneficially owned by Eternity Finance from 5 November 2013, being the date of underwriting agreement, to the record date;

- (c) the supplemental agreement dated 18 November 2013 and entered into between Eternity Finance, China Star, Kingston Securities Limited and Heung Wah Keung Family Endowment Limited relating to change the record date for the open offer as announced by China Star on 5 November 2013 from 25 November 2013 to 31 December 2013;
- (d) the supplemental agreement dated 31 December 2013 and entered into between the Company and China Star relating to the further extension of completion date of the second tranche subscription of the convertible bonds of HK\$300.00 million to be issued by China Star pursuant to the conditional subscription agreement dated 21 January 2011 (as amended and supplemented by the supplemental agreements dated 28 March 2011 and 29 June 2012 respectively) from 31 December 2013 to 31 December 2015;
- (e) the placing agreement dated 20 February 2014 and entered into between the Company and Kingston Securities Limited, pursuant to which the Company has conditionally agreed to place, through Kingston Securities Limited on a best effort basis, up to 91,000,000 new Shares to not fewer than six independent investors at a price of HK\$0.78 per Share;
- (f) the conditional sale and purchase agreement dated 1 April 2014 entered into between Riche (BVI) Limited as purchaser and Mr. Cheung Kwok Fan, a Director, as vendor in respect of the acquisition of the entire issued share capital in and the shareholder's loan due by Thought Diamond International Limited at a consideration of HK\$286.10 million;
- (g) 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;
- (h) the conditional sale and purchase agreement dated 30 May 2014 and entered into between Riche (BVI) Limited as vendor and Mr. Ng Cheuk Fai as purchaser relating to the sale and purchase of the entire issued share capital of Rich Daily Group Limited at a consideration of HK\$2.00 million;
- (i) the irrevocable undertaking dated 25 June 2014 given by New Cove to EDS and Kingston Securities Limited (i) to convert the Previous Convertible Bonds in the principal amount of HK\$25.00 million into 25,000,000 new Ordinary EDS Shares before the commencement of the book close period of the Open

- Offer; (ii) not to convert the remaining balance of the Previous Convertible Bonds in the principal amount of HK\$15.00 million into 15,000,000 new Ordinary EDS Shares before the record date for the Open Offer; (iii) to subscribe for or procure the subscription for 12,500,000 new Ordinary EDS Shares to be allotted to it under its entitlement pursuant to the Open Offer; and (iv) to lodge the application form(s) in respect of the 12,500,000 new Ordinary EDS Shares accompanied by the appropriate remittances which shall be honoured on first presentation prior to the latest time for acceptance under the Open Offer;
- (j) the placing agreement dated 15 August 2014 and entered into between EDS and Kingston Securities Limited, pursuant to which EDS has conditionally agreed to place, through Kingston Securities Limited on a best effort basis, up to 2,620,000 new Ordinary EDS Shares to not fewer than six independent investors at a price of HK\$3.15 per Ordinary EDS Share;
  - (k) 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;
  - (l) the conditional sale and purchase agreement dated 11 December 2014 and entered into between the Company as purchaser, Unique Talent Group Limited, a wholly owned subsidiary of Jiu hao Health, as vendor and Jiu hao Health as guarantor relating to the sale and purchase of the entire shareholding interests in Smart Title Limited and the assignment of the shareholder's loan due by Smart Title Limited at a consideration of HK\$1,650.00 million;
  - (m) the conditional sale and purchase agreement dated 11 February 2015 and entered into between Victory Peace Holdings Limited, a wholly owned subsidiary of the Company, as purchaser and an Independent Third Party as vendor in relation to the sale and purchase of approximately 74.63% of the issued share capital of a company listed on GEM, at a consideration of HK\$197.76 million;
  - (n) the Subscription Agreement;
  - (o) the Offer Non-Acceptance Undertaking;

- (p) the supplemental agreement dated 30 March 2015 entered into between the Company, Unique Talent Group Limited and Jiu hao Health relating to the amendments of the forms of the club lease agreement and the share entitlement note attached to the conditional sale and purchase agreement dated 11 December 2014;
- (q) the underwriting agreement dated 15 May 2015 and entered into between the Company and Kingston Securities Limited in relation to the underwriting arrangement in respect of the proposed issue of not less than 547,673,243 new Shares and not more than 593,921,844 new Shares by way of rights issue on the basis of one new Share for every one existing Share to the qualifying Shareholders held on a record date at a price of HK\$0.70 per new Share;
- (r) 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;
- (s) the deed of variation dated 20 May 2015 and entered into between the Company and Kingston Securities Limited in relation to the amendments of certain definitions of the underwriting agreement dated 15 May 2015 and entered into between the Company and Kingston Securities Limited;
- (t) the legally binding letter agreement dated 8 June 2015 entered into between the Company as purchaser and Jiu hao 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\$298.80 million;
- (u) the supplemental agreement dated 12 June 2015 entered into between the Company, Unique Talent Group Limited and Jiu hao Health relating to the extension of the long stop date of the conditional sale and purchase agreement dated 11 December 2014;
- (v) the termination letter agreement dated 18 June 2015 entered into between the Company and Jiu hao Health in relation to the termination of the legally binding letter agreement dated 8 June 2015;
- (w) the supplemental agreement dated 19 June 2015 entered into between EDS, Xing Hang, Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus in relation to the extension of the long stop date of the Subscription Agreement;

- (x) the supplemental agreement dated 28 August 2015 entered into between EDS, Xing Hing, Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus in relation to the further extension of the long stop date of the Subscription Agreement; and
- (y) the conditional sale and purchase agreement dated 7 September 2015 entered into between Golden Stone Management Limited, a wholly owned subsidiary of the Company, as purchaser and Sino Credit Holdings Limited, a company listed on the Main Board of the Stock Exchange under stock code: 628, as vendor relating to the sale and purchase of the entire equity interests of Best Volume Investments Limited at a consideration of HK\$400.00 million.

#### **10. DOCUMENTS AVAILABLE FOR INSPECTION**

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

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the financial years ended 31 December 2013 and 2014;
- (c) the material contracts referred to in the paragraph headed “MATERIAL CONTRACTS” in this Appendix;
- (d) a copy of each circular issued by the Company pursuant to the requirements set out in Chapter 14 of the Listing Rules which has been issued since 31 December 2014 (being the date of the latest published audited accounts);
- (e) the circular of the Company dated 26 June 2015 in relation to the rights issue of the Company announced on 15 May 2015;
- (f) the prospectus of the Company dated 29 July 2015 in relation to the rights issue of the Company announced on 15 May 2015; and
- (g) this circular.

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## NOTICE OF SPECIAL GENERAL MEETING

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## ETERNITY INVESTMENT LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 764)**

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**Meeting**”) of Eternity Investment Limited (the “**Company**”) will be held at Meeting Room (Soho 2), 6/F., ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Friday, 30 October 2015 at 11:00 a.m. for the purposes of considering and, if thought fit, passing with or without modifications, the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT:**

- (a) the terms of the subscription agreement dated 17 February 2015 (as amended and supplemented by the supplemental agreements dated 19 June 2015 and 28 August 2015 entered into by the parties to the subscription agreement) (collectively referred to as the “**Subscription Agreement**”), (a copy of which has been produced to the Meeting and marked “A” by the chairman of the Meeting for identification purpose) entered into between (i) EDS Wellness Holdings Limited, an indirect non-wholly owned subsidiary of the Company (“**EDS**”), and (ii) Xing Hang Limited, Goldenland Mining & Investment Limited, Silver Empire Holding Limited, Truly Elite Limited, High Aim Global Limited and First Bonus International Limited (collectively, the “**Subscribers**”) in relation to the subscription of 345,000,000 new ordinary shares of EDS and 30,000,000 new preferred shares of EDS (collectively, the “**Subscription Share(s)**”) at an issue price of HK\$0.40 per Subscription Share and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;
- (b) a deemed disposal (the “**Deemed Disposal**”) of the Company’s shareholding interest in the issued share capital of EDS by subscription of the Subscription Shares by the Subscribers be and is hereby approved, and all transactions contemplated thereunder and in connection therewith be and are hereby confirmed, approved and ratified; and

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## NOTICE OF SPECIAL GENERAL MEETING

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- (c) any one or more of the director(s) of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents, including under seal where applicable, as he/they consider(s) necessary, desirable or expedient in his/their opinion to implement and/or give effect to the Deemed Disposal.”

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

Hong Kong, 8 October 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 form of proxy for use at the Meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hands of any officer or attorney duly authorised.
3. Any member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the Meeting or any adjournment thereof should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the Meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
7. The voting on the resolution will be conducted by way of poll.