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## **ETERNITY INVESTMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 764)**

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE ENTERING INTO OF THE VIE CONTRACTS — GRANT OF WAIVER FROM STRICT COMPLIANCE WITH RULES 14A.52 AND 14A.53 OF THE LISTING RULES**

Reference is made to the announcement of Eternity Investment Limited (the “**Company**”) dated 4 May 2021 in relation to the proposed acquisition (the “**Announcement**”). Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as ascribed to them in the Announcement.

#### **CONTINUING CONNECTED TRANSACTIONS**

The Group has entered into the VIE Contracts with the PRC Company and the PRC Equity Owners on 27 August 2021.

Further details of the VIE Contracts will be disclosed in the circular regarding the Acquisition to be despatched to the Shareholders.

Upon completion of Vendor Reorganisation, one of the PRC Equity Owners, Mr. Shi Kan (“**Mr. Shi**”) beneficially owns 10.0% of the issued share capital of the Vendor. Upon completion of the Target Reorganisation, Mr. Shi becomes a director of the Hong Kong Company and the WFOE respectively. Upon Completion, the Target Company will be directly and wholly owned by the Company, the Hong Kong Company will be directly and wholly owned by the Target Company and directly hold the WFOE and the WFOE will be directly and wholly owned by the Hong Kong Company and have control over the PRC Company upon execution of the VIE Contracts. Mr. Shi is therefore a connected person of the Company at the subsidiary level.

Accordingly, the transactions contemplated under the VIE Contracts constitute continuing connected transactions with a connected person at the subsidiary level of the Company for the purpose of Chapter 14A of the Listing Rules.

Given that (i) the Directors have approved the VIE Contracts; and (ii) the independent non-executive Directors have confirmed that the terms of the VIE Contracts are fair and reasonable and the VIE Contracts are on normal commercial terms and in the interests of the Company and its Shareholders as a whole, such continuing connected transactions are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **Reasons for the waiver application**

The Company considers that it would be impracticable and unduly burdensome and would add unnecessary administrative cost to the Company to set a maximum aggregate annual caps under Rule 14A.53 of the Listing Rules and fix the terms of the VIE Contracts under Rule 14A.52 of the Listing Rules in relation to the continuing connected transactions contemplated under the VIE Contracts given that:

- (i) the VIE Contracts will enable the Group to receive the entire economic benefits derived by the PRC Company;
- (ii) Mr. Shi, who is an ultimate beneficial owner of 10% equity interest in the Vendor and a director of each of the Hong Kong Company and the WFOE, will not receive any economic benefits from the operation by the PRC Company following Completion under the VIE Contracts;
- (iii) based on (i) and (ii) above, there is no genuine continuing connected transactions while the VIE Contracts merely constitute technical continuing connected transactions implication owing to a typical variable interest entity structure; and
- (iv) the VIE Contracts and the transactions contemplated thereunder are fundamental to the Group's control on the Target Group's business which will be regarded as a new line of business and a new income source of the Group and will become the ordinary and usual course of business of the Group following Completion.

### **Grant of waiver**

In view of the above, the Company has applied for, and the Exchange has granted on 20 September 2021, a waiver pursuant to Rule 14A.102 of the Listing Rules from (i) the requirement of setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the services fees payable by the PRC Company to the WFOE under the relevant VIE Contracts; and (ii) the requirement of fixing the term of the VIE Contracts and having a term of not exceeding three years pursuant to Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Exchange and subject to the following conditions:

**(1) *No change without independent non-executive Directors' approval***

No changes to the terms of any of the VIE Contracts will be made without the approval of the independent non-executive Directors.

**(2) *No change without independent Shareholders' approval***

No changes to the terms of any of the VIE Contracts will be made without the approval of the independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the VIE Contracts in the annual reports of the Company (as set out in paragraph (4) below) will however continue to be applicable.

**(3) *Economic benefits flexibility***

The VIE Contracts shall continue to enable the Group to receive the economic benefits derived by the PRC Company through: (i) the WFOE's right (if and when so allowed under the applicable PRC laws) to acquire part or all of the equity interest in the PRC Company held by the PRC Equity Owner pursuant to the VIE Contracts; (ii) the business structure under which the net profit generated by the PRC Company is substantially retained by the WFOE (such that no annual caps shall be set on the amount of the services fees payable to the WFOE under the relevant VIE Contracts); and (iii) the WFOE's right to control the management and operation of, as well as, in substance, all of the voting rights of the PRC Company.

**(4) *Ongoing reporting and approvals***

The Group will disclose details relating to the VIE Contracts on an ongoing basis as follows:

- (i) The VIE Contracts in place during each financial period will be disclosed in the Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules.
- (ii) The independent non-executive Directors will review the VIE Contracts annually and confirm in the Company's annual report and accounts for the relevant year that: (a) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the VIE Contracts, have been operated so that the profit generated by the PRC Company has been substantially retained by the WFOE; (b) no dividends or other distributions have been made by the PRC Company to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (c) any new contracts entered into, renewed or reproduced between the Group and the PRC Company Group during the term of the VIE Contracts are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Shareholders as a whole.

- (iii) The Company’s auditors will carry out review procedures annually on the transactions carried out pursuant to the VIE Contracts and will provide a letter to the Directors with a copy to the Exchange that the transactions carried out pursuant to the VIE Contracts have received the approval of the Directors, have been entered into in accordance with the relevant VIE Contracts and that no dividends or other distributions have been made by the PRC Company to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.
- (iv) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, the PRC Company and its subsidiaries will be treated as the Company’s wholly owned subsidiaries, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the PRC Company and its subsidiaries and their respective associates will be treated as the “connected person” of the Company and transactions between these connected persons and the Group, other than those under the VIE Contracts, will be subject to requirements under Chapter 14A of the Listing Rules.
- (v) Each of the PRC Company and its subsidiaries has undertaken that, for so long the Shares are listed on the Exchange, it will provide the Group’s management and the Company’s auditors full access to its relevant records for the purpose of the Company’s auditors’ review of the continuing connected transactions.

**(5) *Appointment of independent financial adviser***

According to Rule 14A.52 of the Listing Rules, the Company has appointed Capital 9 Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as the independent financial adviser to explain why the VIE Contracts requires a longer period and to confirm that it is normal business practice for agreements of such type to be of such duration.

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

Hong Kong, 27 September 2021

*As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Lei Hong Wai, Mr. Cheung Kwok Wai Elton, Mr. Chan Kin Wah Billy and Mr. Cheung Kwok Fan; and three independent non-executive Directors, namely, Mr. Wan Shing Chi, Mr. Ng Heung Yan and Mr. Wong Tak Chuen.*