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

If you have sold or transferred all your shares in Easyknit International Holdings Limited and/or Eminence Enterprise Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1218)

**1. VERY SUBSTANTIAL ACQUISITION,
VERY SUBSTANTIAL DISPOSAL,**

**2. EASY TOWER MANAGEMENT
AGREEMENT**



EMINENCE ENTERPRISE LIMITED

高山企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

**1. VERY SUBSTANTIAL ACQUISITION,
VERY SUBSTANTIAL DISPOSAL
– CONNECTED TRANSACTIONS,**

**2. EASY TOWER MANAGEMENT
AGREEMENT – EXEMPT CONTINUING
CONNECTED TRANSACTION**

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



紅日資本有限公司
RED SUN CAPITAL LIMITED

A letter from the Easyknit Board is set out on pages 6 to 18 of this circular.

A notice convening the Easyknit SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on 28 February 2019 at 9 a.m. is set out on pages N-Easyknit-1 to N-Easyknit-3 of this circular. A white proxy form for use at the Easyknit SGM is enclosed. Whether or not they are able to attend the Easyknit SGM, Easyknit Shareholders are requested to complete the enclosed white proxy form in accordance with the instructions printed thereon and return it to Easyknit's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the Easyknit SGM. Completion and return of the **white** proxy form will not preclude Easyknit Shareholders from attending and voting in person at the Easyknit SGM or any adjournment thereof should they so wish.

A letter from the Eminence Board is set out on pages 19 to 32 of this circular. A letter from the Independent Board Committee is set out on page 51 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and Independent Eminence Shareholders is set out on pages 33 to 50 of this circular.

A notice convening the Eminence SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on 28 February 2019 at 9:00 a.m. is set out on pages N-Eminence-1 to N-Eminence-3 of this circular. A blue proxy form for use at the Eminence SGM is enclosed. Whether or not they are able to attend the Eminence SGM, Eminence Shareholders are requested to complete the enclosed blue proxy form in accordance with the instructions printed thereon and return it to Eminence's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the Eminence SGM. Completion and return of the blue proxy form will not preclude Independent Eminence Shareholders from attending and voting in person at the Eminence SGM or any adjournment thereof should they so wish.

* For identification purpose only

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DEFINITIONS

In this circular, unless the context otherwise requires and unless otherwise stated the following expressions have the following meanings:

“associate”	the meaning ascribed thereto in the Listing Rules
“Bank Loan”	<p>(i) in respect of the Easyknit Sale Company, the outstanding principal together with interest accrued owing to OCBC Wing Hang Bank Limited by the Easyknit Sale Company being HK\$154,624,664.56 in aggregate at 31 October 2018; and</p> <p>(ii) in respect of the Eminence Sale Company the outstanding principal together with interest accrued owing to Hang Seng Bank Limited by the Eminence Sale Company being HK\$448,762,805.00 in aggregate at 31 October 2018</p>
“BVI”	the British Virgin Islands
“Colliers”	Colliers International (Hong Kong) Limited
“Completion”	completion of the sale and purchase of the Easyknit Sale Company and the Eminence Sale Company and the Shareholder Loans under the Swap Agreements
“Completion Date”	the date of Completion which will be ten business days after the fulfilment or waiver of the last of the conditions set out in the Swap Agreements to be fulfilled or waived, or such other date as the parties to the respective Swap Agreements may agree in writing
“close associate”	the meaning ascribed thereto in the Listing Rules
“connected person”	the meaning ascribed thereto in the Listing Rules
“Easy Tower”	the property known as Easy Tower being ALL THAT piece or parcel of ground situate at Kowloon and registered in the Land Registry as NEW KOWLOON INLAND LOT NO. 6238 together with the messuages erections and buildings thereon now known as EASY TOWER (永義廣場), No. 609 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong

DEFINITIONS

“Easyknit”	Easyknit International Holdings Limited (永義國際集團有限公司), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code 1218)
“Easyknit Buyer”	Gold Anchor Developments Limited, a company incorporated under the laws of the BVI with limited liability and a wholly-owned subsidiary of Easyknit
“Easyknit Directors”	the directors of Easyknit
“Easyknit Group”	Easyknit and its subsidiaries
“Easyknit Sale Agreement”	a conditional sale and purchase agreement dated 19 November, 2018 between the Easyknit Seller and the Eminence Buyer for, inter alia, the sale by the Easyknit Seller and purchase by the Eminence Buyer of the Easyknit Sale Company
“Easyknit Sale Company”	Wellmake Investments Limited (緯豐投資有限公司), a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of Easyknit
“Easyknit Sale Consideration”	HK\$470,000,000.00
“Easyknit Seller”	Easyknit Properties Holdings Limited, a company incorporated under the laws of the BVI with limited liability and a wholly-owned subsidiary of Easyknit
“Easyknit SGM”	the special general meeting of Easyknit to be convened and held for the purpose of considering and, if thought fit, approving, inter alia, the Swap Agreements notice of which is set out in this circular
“Easyknit Shareholders”	holders of Easyknit Shares
“Easyknit Shares”	ordinary shares of HK\$0.10 each in the share capital of Easyknit
“ELN”	equity linked note
“Eminence”	Eminence Enterprise Limited (高山企業有限公司), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code 616)

DEFINITIONS

“Eminence Buyer”	Sonic Hover Limited, a company incorporated under the laws of the BVI with limited liability and a wholly-owned subsidiary of Eminence
“Eminence Directors”	the directors of Eminence
“Eminence Group”	Eminence and its subsidiaries
“Eminence IBC”	an independent committee of the board of Eminence Directors comprising all its independent non-executive directors, established for the purposes of advising the Independent Eminence Shareholders on the Swap Agreements and the transactions contemplated thereunder
“Eminence Sale Agreement”	a conditional sale and purchase agreement dated 19 November, 2018 between the Eminence Seller and the Easyknit Buyer for, inter alia, the sale by the Eminence Seller and purchase by the Easyknit Buyer of the Eminence Sale Company
“Eminence Sale Company”	Total Expect Limited, a company incorporated under the laws of the BVI with limited liability and a wholly-owned subsidiary of Eminence
“Eminence Sale Consideration”	HK\$1,035,000,000.00
“Eminence Seller”	Kingbest Capital Holdings Limited (佳景資本控股有限公司), a company incorporated under the laws of the BVI with limited liability and a wholly-owned subsidiary of Eminence
“Eminence SGM”	the special general meeting of Eminence to be convened and held for the purpose of considering and, if thought fit, approving, inter alia, the Swap Agreements notice of which is set out in this circular
“Eminence Shareholders”	holders of Eminence Shares
“Eminence Shares”	ordinary shares of HK\$0.01 each in the share capital of Eminence
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Eminence Financial Adviser”	Red Sun Capital Limited, a corporation licensed under the SFO to conduct Type 6 regulated activities as defined under the SFO, being the independent financial adviser appointed by Eminence to advise the Eminence Independent Board Committee and the Independent Eminence Shareholders in relation to the Swap Agreements
“Independent Eminence Shareholders”	Eminence Shareholders, other than Easyknit and its associates
“Independent Third Party”	in respect of Easyknit, an entity that is independent of Easyknit and its connected persons and, in respect of Eminence, an entity that is independent of Eminence and its connected persons
“Inverness Road Property”	All those parts or pieces of ground known and registered in the Land Registry as New Kowloon Inland Lot No. 6573
“Latest Practicable Date”	3 February 2019 being the latest practicable date for ascertaining certain information for inclusion in this circular
“Long Stop Date”	in respect of each of the Swap Agreements 30 June, 2019 or such other date as the parties to the relevant agreement may agree
“Manager”	UrbanMode (HK) Limited, a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of Easyknit
“Post-Swap Easyknit Group”	the Easyknit Group immediately after Completion
“Post-Swap Eminence Group”	the Eminence Group immediately after Completion
“PRC”	The People’s Republic of China
“Property Management Agreement”	an agreement to be entered into at (and subject to) Completion between the Manager and the Easyknit Sale Company for the management by the Manager of Easy Tower after Completion
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)

DEFINITIONS

“Shareholder Loan”	(i) in respect of the Easyknit Sale Company, the moneys owed by the Easyknit Sale Company to Easyknit being HK\$1,725,896.06 in aggregate at 31 October 2018; and (ii) in respect of the Eminence Sale Company the moneys owed by the Eminence Sale Company to Eminence being HK\$444,218,428.95 in aggregate at 31 October 2018
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Swap Agreements”	the Easyknit Sale Agreement and the Eminence Sale Agreement or such of them as the context may indicate
“Swap Companies”	the Easyknit Sale Company and the Eminence Sale Company or such of them as the context may indicate
“Vigers”	Vigers Appraisal and Consulting Limited
“%”	per cent

LETTER FROM THE EASYKNIT BOARD



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1218)

Executive Directors:

Mr. Tse Wing Chiu Ricky

(President and Executive Officer)

Ms. Lui Yuk Chu *(Vice President)*

Ms. Koon Ho Yan Candy

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent Non-executive Directors:

Mr. Tsui Chun Kong

Mr. Jong Koon Sang

Mr. Hon Tam Chun

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

Block A, 7th Floor

Hong Kong Spinners Building, Phase 6

481-483 Castle Peak Road

Cheung Sha Wan

Kowloon, Hong Kong

12 February 2019

To the Easyknit Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION, VERY SUBSTANTIAL DISPOSAL, EASY TOWER MANAGEMENT AGREEMENT

INTRODUCTION

Easyknit announced the Swap Agreements and Property Management Agreement on 21 November, 2018. The purpose of this letter is to provide further information about them to Easyknit Shareholders and to give notice of the Easyknit SGM.

The Easyknit Seller will sell, and the Eminence Buyer will acquire, Easy Tower by way of transfer of the Easyknit Sale Company and the Easyknit Seller will procure the assignment of the related Shareholder Loan, and the Eminence Seller will sell, and the Easyknit Buyer will acquire, the Inverness Road Property by way of transfer of the Eminence Sale Company and the Eminence Seller will procure the assignment of the related Shareholder Loan.

* For identification purpose only

LETTER FROM THE EASYKNIT BOARD

THE SWAP AGREEMENTS

I. EASYKNIT SALE AGREEMENT

Date : 19 November 2018

Parties : the Easyknit Seller as seller
the Eminence Buyer as buyer

Assets to be acquired and disposed of

Pursuant to the Easyknit Sale Agreement, amongst other things, the Eminence Buyer conditionally agreed to buy, and the Easyknit Seller agreed to sell, all the issued shares in the Easyknit Sale Company and the Easyknit Seller agreed to procure the assignment of the related Shareholder Loan at the Easyknit Sale Consideration. The sole material asset of the Easyknit Sale Company is Easy Tower.

The net profits (both before and after taxation and extraordinary items) attributable to the Easyknit Sale Company for the two financial years immediately preceding the date of the Easyknit Sale Agreement (prepared in accordance with Hong Kong Financial Reporting Standards) were as follows:

	For the year ended 31 March	
	2017	2018
	HK\$	HK\$
Net profit (before taxation)	21,580,286	43,253,261
Net profit (after taxation)	20,145,200	42,953,957

The original acquisition cost of the Easyknit Sale Company to the Easyknit Group was approximately HK\$97.9 million. The Easyknit Sale Company was acquired by Easyknit in 1996 from Lui Yuk Chu, an executive director of Easyknit, and her spouse, Koon Wing Yee, in a connected transaction of Easyknit approved in compliance with the Listing Rules at the relevant time.

Conditions precedent

Completion of the Easyknit Sale Agreement is conditional upon the fulfilment of conditions to the following effect:

1. the Eminence Buyer having completed its due diligence review on the business, financial, legal and other aspects of the Easyknit Sale Company and Easy Tower and being reasonably satisfied with the results thereof;

LETTER FROM THE EASYKNIT BOARD

2. Eminence having obtained the requisite approval from the Independent Eminence Shareholders in relation to (i) the purchase of the Easyknit Sale Company and assignment of the related Shareholder Loan and (ii) the entering into of the Property Management Agreement by the Easyknit Sale Company, each as required under the Listing Rules; and
3. Easyknit having obtained the requisite approval from the Easyknit Shareholders in relation to the sale of the Easyknit Sale Company and assignment of the related Shareholder Loan as required under the Listing Rules.

None of these conditions had been satisfied at the Latest Practicable Date. Conditions 2 and 3 above cannot be waived. In the event condition 1 above is not fulfilled (or waived by the Eminence Buyer) on or before the Long Stop Date, the Eminence Buyer may elect to terminate the Easyknit Sale Agreement, in which case, save for the return of the deposit (which shall be returned without any interest or cost), all rights, obligations and liabilities of the parties under the Easyknit Sale Agreement shall terminate and neither of the parties shall have any claim against the other in respect of the Easyknit Sale Agreement but without prejudice to the accrued rights and obligations of the parties before that termination.

Completion of the Easyknit Sale Agreement shall take place simultaneously with Completion of the Eminence Sale Agreement. If Completion of the Swap Agreements does not take place simultaneously on the Completion Date, the Completion Date of the Easyknit Sale Agreement may be postponed to a date to be agreed between the Easyknit Seller and the Eminence Buyer provided that such date shall not be a date beyond the Long Stop Date. If Completion of the Easyknit Sale Agreement does not take place Completion of the Eminence Sale Agreement will not take place, and vice versa.

Valuation

The value of Easy Tower under the Easyknit Sale Company in the books of Easyknit as at 31 March, 2018 the date of its latest audited published accounts, was HK\$447,000,000.00. Easy Tower was valued at HK\$460,000,000.00 at 14 November, 2018 by Colliers, a property valuer and an Independent Third Party and its valuation report is reproduced in Appendix II.

Easyknit Sale Consideration

The Easyknit Sale Consideration for the sale and purchase of the Easyknit Sale Company and the related Shareholder Loan is HK\$470,000,000.00 (of which at 31 October 2018, HK\$468,274,103.94 was attributable to the shares being purchased in the Easyknit Sale Company and HK\$1,725,896.06 was attributable to the related Shareholder Loan. If the amount of the Shareholder Loan outstanding at Completion is different the Easyknit Sale Consideration attributable to the shares being purchased and that attributable to, the Shareholder Loan will change accordingly but the Easyknit Sale Consideration will not change), subject to adjustment by way of deduction of a sum

LETTER FROM THE EASYKNIT BOARD

equal to the amount of the Bank Loan outstanding as at the Completion Date on a dollar for dollar basis. The Easyknit Sale Consideration was determined after arm's length negotiations between Eminence and Easyknit, taking into account their respective perceptions of the property market and valuations of Easy Tower.

HK\$23,500,000.00 of the Easyknit Sale Consideration was paid by way of deposit by the Eminence Buyer on the signing of the Easyknit Sale Agreement and the balance of the Easyknit Sale Consideration is to be paid by the Eminence Buyer to the Easyknit Seller by cheque (or such other method as may be agreed) on Completion.

The deposit shall be returned to the Eminence Buyer (without any interest or cost) upon termination of the Easyknit Sale Agreement, where (i) the conditions to that agreement are not satisfied or waived on or before the Long Stop Date and the Eminence Buyer has elected to terminate the Easyknit Sale Agreement; or (ii) the Easyknit Seller has failed or is unable to perform its Completion obligations and the Eminence Buyer is willing and able to perform its Completion obligations; or (iii) the Eminence Sale Agreement does not complete. The deposit shall be retained by the Easyknit Seller upon termination of the Easyknit Sale Agreement, where the Eminence Buyer has failed or is unable to perform its Completion obligations and the Easyknit Seller is willing and able to perform its Completion obligations.

On Completion the Easyknit Sale Company will cease to be a subsidiary of Easyknit and will become a wholly-owned subsidiary of Eminence.

A gain of approximately HK\$8,773,000.00 is expected to accrue to Easyknit on Completion of the Easyknit Sale Agreement, based on the excess of the Easyknit Sale Consideration over the net assets as at 30 November, 2018 of the Easyknit Sale Company adjusted to take into account its Bank Loan and its Shareholder Loan.

The price for the assignment of the Shareholder Loan is the face value of the total outstanding amount of the Shareholder Loan as at Completion; and the price for the sale of the shares being purchased in the Easyknit Sale Company is the amount of the Easyknit Sale Consideration less the price payable for the assignment of the Shareholder Loan. Not less than five Business Days before the Completion Date, the Easyknit Seller will notify the Eminence Buyer of the face value of the total outstanding amount of the Shareholder Loan to be outstanding at Completion and actual price the shares in the Easyknit Sale Company. It is intended that a deed of set off (which will be a connected transaction for Eminence exempt from the disclosure and approval requirements under Chapter 14A of the Listing Rules) will be entered into at Completion under which the aggregate sum payable by the Easyknit Group under the Eminence Sale Agreement will be set off against the aggregate sum receivable by it under the Easyknit Sale Agreement and the Easyknit Group is not expected to receive any net sale proceeds but to pay HK\$242,612,000.00 in cash at Completion which will be funded from internal resources of the Easyknit Group. This is calculated as the difference between the net consideration under the Eminence Sale Agreement and the net consideration under the Easyknit Sale Agreement based on the balances of the Bank Loans and Shareholder Loans as at 31 October 2018. At Completion there may be adjustments to the consideration under the Eminence Sale Agreement and the

LETTER FROM THE EASYKNIT BOARD

consideration under the Easyknit Sale Agreement based on the balances of the Bank Loans and Shareholder Loans at the date of Completion. The aggregate bank balances and cash resources of the Easyknit Group as at 31 December 2018 were approximately HK\$444.8 million, mainly being sales proceeds received from the disposal of a property at Nos. 301, 301A – C Prince Edward Road West in October 2018.

Mortgage

Easy Tower is subject to a mortgage in favour of OCBC Wing Hang Bank Limited, an Independent Third Party, to secure the Bank Loan. The mortgage and the Bank Loan will remain in place immediately following Completion.

Miscellaneous

Under the Easyknit Sale Agreement, the Easyknit Seller has agreed to give certain indemnities, including in respect of tax arising from the activities of the Easyknit Sale Company prior to the completion of the Easyknit Sale Agreement which is not disclosed in the audited accounts of the Easyknit Sale Company.

Stamp duty in respect of the transactions contemplated under the Easyknit Sale Agreement shall be borne by the Eminence Buyer.

II. EMINENCE SALE AGREEMENT

Date : 19 November 2018

Parties : the Easyknit Buyer as buyer
the Eminence Seller as seller

Assets to be acquired and disposed of

Pursuant to the Eminence Sale Agreement, amongst other things, the Easyknit Buyer conditionally agreed to buy, and the Eminence Seller agreed to sell, all the issued shares in the Eminence Sale Company and the Eminence Seller agreed to procure the assignment of the related Shareholder Loan at the Eminence Sale Consideration. The sole material asset of the Eminence Sale Company is the Inverness Road Property.

The net loss (both before and after taxation and extraordinary items) attributable to the Eminence Sale Company for the two financial years immediately preceding the date of the Eminence Sale Agreement (prepared in accordance with Hong Kong Financial Reporting Standards) were as follows:

LETTER FROM THE EASYKNIT BOARD

	For the year ended 31 March	
	2017	2018
	HK\$	HK\$
Net loss (before taxation)	3,144,564	1,298,340
Net loss (after taxation)	3,455,284	1,298,339

Conditions precedent

Completion of the Eminence Sale Agreement is conditional upon the fulfilment of conditions to the following effect:

1. the Easyknit Buyer having completed its due diligence review on the business, financial, legal and other aspects of the Eminence Sale Company and the Inverness Road Property and being reasonably satisfied with the results thereof;
2. Eminence having obtained the requisite approval from the Independent Eminence Shareholders in relation to the sale of the Eminence Sale Company and assignment of the related Shareholder Loan as required under the Listing Rules; and
3. Easyknit having obtained the requisite approval from the Easyknit Shareholders in relation to the purchase of the Eminence Sale Company and assignment of the related Shareholder Loan as required under the Listing Rules.

None of these conditions had been satisfied at the Latest Practicable Date. Conditions 2 and 3 above cannot be waived. In the event that condition 1 above is not fulfilled (or waived by the Easyknit Buyer) at or before the Long Stop Date, the Easyknit Buyer may elect to terminate the Eminence Sale Agreement, in which case, save for the return of the deposit (which shall be returned without any interest or cost) all rights, obligations and liabilities of the parties under the Eminence Sale Agreement shall terminate and neither of the parties shall have any claim against the other in respect of the Eminence Sale Agreement but without prejudice to the accrued rights and obligations of the parties before that termination.

Completion of the Eminence Sale Agreement shall take place simultaneously with Completion of the Easyknit Sale Agreement. If Completion of the Swap Agreements does not take place simultaneously on the Completion Date, the Completion Date of the Eminence Sale Agreement may be postponed to a date to be agreed between the Eminence Seller and the Easyknit Buyer provided that such date shall not be a date beyond the Long Stop Date. If Completion of the Easyknit Sale Agreement does not take place Completion of the Eminence Sale Agreement will not take place, and vice versa.

LETTER FROM THE EASYKNIT BOARD

Valuation

The value of the Inverness Road Property under the Eminence Sale Company in the books of Eminence as at 31 March, 2018, the date of its latest audited published accounts, was approximately HK\$713,800,000.00. The Inverness Road Property was valued at HK\$1,170,000,000.00 at 14 November, 2018 by Vigers, a property valuer and an Independent Third Party and its valuation report is reproduced in Appendix I.

Eminence Sale Consideration

The Eminence Sale Consideration for the sale and purchase of the Eminence Sale Company and related Shareholder Loan is HK\$1,035,000,000.00 (of which at 31 October 2018 HK\$590,781,571.05 was attributable to the shares being purchased in the Eminence Sale Company and HK\$444,218,428.95 was attributable to the related Shareholder Loan. If the amount of the Shareholder Loan outstanding at Completion is different the Eminence Sale Consideration attributable to the shares being purchased and that attributable to the Shareholder Loan will change accordingly but the Eminence Sale Consideration will not change), subject to adjustment by way of deduction of a sum equal to the amount of the Bank Loan outstanding as at the Completion Date on a dollar for dollar basis. The Eminence Sale Consideration was determined after arm's length negotiations between Eminence and Easyknit taking into account their respective perceptions of the property market and valuations of the Inverness Road Property.

HK\$51,750,000.00 of the Eminence Sale Consideration was paid by way of deposit by the Easyknit Buyer on the signing of the Eminence Sale Agreement and the balance of the Eminence Sale Consideration is to be paid by the Easyknit Buyer to the Eminence Seller by cheque (or such other method as may be agreed) on Completion.

The deposit shall be returned to the Easyknit Buyer (without any interest or cost) upon termination of the Eminence Sale Agreement, where (i) the conditions are not satisfied or waived on or before the Long Stop Date and the Easyknit Buyer has elected to terminate the Eminence Sale Agreement; or (ii) the Eminence Seller has failed or is unable to perform its Completion obligations and the Easyknit Buyer is willing and able to perform its Completion obligations; or (iii) the Easyknit Sale Agreement does not complete. The deposit shall be retained by the Eminence Seller upon termination of the Eminence Sale Agreement, where the Easyknit Buyer has failed or is unable to perform its Completion obligations and the Eminence Seller is willing and able to perform its Completion obligations.

The price for the assignment of the Shareholder Loan is the face value of the total outstanding amount of the Shareholder Loan as at Completion; and the price for the sale of the shares being sold in the Easyknit Sale Company is the amount of the Easyknit Sale Consideration less the price payable for the assignment of the Shareholder Loan. Not less than five Business Days before the Completion Date, the Easyknit Seller will notify the Eminence Buyer of the face value of the total outstanding amount of the Shareholder Loan to be outstanding at Completion and the actual price of the shares in the Easyknit Sale Company. It is intended that a deed of set off (which will be a connected transaction for Eminence exempt from the disclosure

LETTER FROM THE EASYKNIT BOARD

and approval requirements under Chapter 14A of the Listing Rules) will be entered into at Completion under which the aggregate sum payable by the Easyknit Group under the Eminence Sale Agreement will be set off against the aggregate sum receivable by it under the Easyknit Sale Agreement and the Easyknit Group is not expected to receive any net sale proceeds but to pay HK\$242,612,000.00 in cash at Completion which will be funded from internal resources of the Easyknit Group. This is calculated as the difference between the net consideration under the Eminence Sale Agreement and the net consideration under the Easyknit Sale Agreement based on the balances of the Bank Loans and Shareholder Loans as at 31 October 2018. At Completion there may be adjustments to the consideration under the Eminence Sale Agreement and the consideration under the Easyknit Sale Agreement based on the balances of the Bank Loans and Shareholder Loans at the date of Completion. The aggregate bank balances and cash resources of the Easyknit Group as at 31 December 2018 were approximately HK\$444.8 million, mainly being sales proceeds received from the disposal of a property at Nos. 301, 301A – C Prince Edward Road West in October 2018.

The stamp duty and all other taxes (if any) in respect of the transfer of the shares in the Eminence Sale Company and the assignment of the Loan will be borne solely by the Easyknit Buyer.

On Completion the Eminence Sale Company will cease to be a subsidiary of Eminence and will become a subsidiary of Easyknit.

Mortgage

The Inverness Road Property is subject to a mortgage in favour of Hang Seng Bank Limited, an Independent Third Party, to secure the Bank Loan. That mortgage will remain in place after Completion and the Bank Loan will remain in place immediately following Completion.

Miscellaneous

Under the Eminence Sale Agreement, the Eminence Seller has agreed to give certain indemnities, including in respect of tax arising from the activities of the Eminence Sale Company prior to the completion of the Eminence Sale Agreement which is not disclosed in the audited accounts of the Eminence Sale Company.

III. PROPERTY MANAGEMENT AGREEMENT

Date : To be executed at and subject to Completion of the Easyknit Sale Agreement.

Parties : (a) the Easyknit Sale Company; and
(b) the Manager

LETTER FROM THE EASYKNIT BOARD

- Term : The Easyknit Sale Company will appoint the Manager to manage Easy Tower for an initial period of three years from Completion. Either party may terminate the Property Management Agreement at any time by giving not less than three months' notice to the other party.
- Services : The management services to be provided include maintenance, repairing, renovation and security for Easy Tower.
- Management fees : The management fees payable to the Manager under the Property Management Agreement by the Easyknit Sale Company will be payable monthly at the rate of 10% of the monthly expenditure incurred in the management of Easy Tower (excluding the management fee and any capital expenditure or expenditure drawn out of the capital funds, if any).

REASONS FOR AND BENEFITS OF THE SWAP AGREEMENTS AND THE PROPERTY MANAGEMENT AGREEMENT

The Easyknit Group's principal businesses are in property investment, property development, securities investment and loan financing.

The Easyknit Group owns several investment properties (including Easy Tower) held for commercial and industrial purposes, and holds residential properties held for development for sale. Investment property is real estate property that has been purchased with the intention of earning a return on the investment, either through rental income, the future resale of the property or both. Easy Tower is a mature investment being a comparatively old building with increasingly high maintenance costs that reduce its net yield, and is ripe for redevelopment.

Easyknit was approached by Eminence to sell Easy Tower and after negotiation a price, in excess of its appraised value, that the Easyknit Directors consider attractive was agreed. Eminence already owns a site known as Fung Wah Factorial Building at Nos. 646, 648 & 648A, Castle Peak Road, Kowloon, Hong Kong which is adjacent to the site on which Easy Tower stands and Easyknit understands that Eminence hopes to redevelop that site together with Easy Tower.

Easyknit did not approach other independent buyers to find out if they were interested in buying Easy Tower before entering into the Swap Agreements. It was Eminence that was interested in acquiring Easy Tower. Easyknit was approached by Eminence to sell Easy Tower and after negotiation a price, in excess of its appraised value, was agreed. Given that Eminence owns Fung Wah Factorial Building, adjacent to Easy Tower and hopes to redevelop that site together with Easy Tower, Easyknit as a substantial shareholder in Easyknit will indirectly share in the benefits arising from that redevelopment. Further, the consideration offered by Eminence included the Inverness Road Property, which Easyknit considers an attractive asset, and the Easyknit Directors were keen to acquire it without being forced to raise all the cash necessary to pay for it, with the bulk of the consideration being paid in kind by transfer of the Easyknit Sale Company.

LETTER FROM THE EASYKNIT BOARD

The Easyknit Directors are of the view that it is better for Easyknit to sell the asset rather than itself redevelop Easy Tower and that the Inverness Road Property, which is an apartment block under construction, fits into its portfolio of residential assets held for development for sale, an activity in which Easyknit has some experience. The transactions will give Easyknit potential to realise development profits on the Inverness Road Property and the Property Management Agreement will be a source of recurrent income to the Easyknit Group. The transactions will also adjust the balance between its assets in the commercial and industrial sector on the one hand and the residential sector on the other.

The valuation of the Inverness Road Property set out in Appendix I was made on the basis that it is a completed development ready to be released to the market. However, in order to complete and bring the Inverness Road Property to market Easyknit estimates that it will be required to spend an additional approximately HK\$135 million.

The purchase price of approximately HK\$1,035 million (subject to adjustment) for the Inverness Road Property, which is lower than the valuation of approximately HK\$1,170 million, is therefore attractive to Easyknit as the difference is the same as the amount (approximately HK\$135 million) which Easyknit estimates that it will cost to complete the Inverness Road Property and bring it to market.

Assuming that construction of the Inverness Road Property is completed in the third quarter of 2019, sales of units in the development can begin later after pre-sale arrangements are made and Government consents are acquired.

Buying the Inverness Road Property as a whole and selling individual units in the project is an attractive proposition to Easyknit.

There are no current plans to sell any other assets held for commercial and industrial purposes although if an attractive opportunity arises Easyknit may dispose of further assets.

The Property Management Agreement will enable transfer of ownership of Easy Tower to the Eminence Group from the Easyknit Group to proceed without disruption to the management of Easy Tower. The Easyknit Directors are of the view that the Swap Agreements and the Property Management Agreement are on normal commercial terms, fair and reasonable and in the interests of the Easyknit Shareholders as a whole and recommend Easyknit Shareholders to vote in favour of the relevant resolutions at the Easyknit SGM.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the percentage ratios applicable to the sale of the Easyknit Sale Company exceeds 75%, that sale is a very substantial disposal for Easyknit and the Easyknit Sale Agreement is subject to the reporting, announcement and Easyknit Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As one or more of the percentage ratios applicable to the purchase of the Eminence Sale Company exceeds 100%, that purchase is a very substantial acquisition for Easyknit and the Eminence Sale Agreement is subject to the reporting, announcement and Easyknit Shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE EASYKNIT BOARD

Ms. Lui Yuk Chu (being an executive director of Eminence, a substantial shareholder of Eminence and an executive director of Easyknit) and Ms. Koon Ho Yan Candy (an executive director of Easyknit an associate of whom is a substantial shareholder of Eminence) abstained from voting on the related Easyknit Board resolutions in view of their respective interests in the Swap Agreements and Property Management Agreement. No other director of Easyknit has a material interest in the Swap Agreements and Property Management Agreement and was required to abstain from voting on the related Easyknit Board resolutions or is required to abstain from voting at the Easyknit SGM.

The Easyknit SGM notice of which is set out in this circular will be convened for Easyknit Shareholders to consider and, if thought fit, approve the Swap Agreements.

POSSIBLE EFFECT ON EARNINGS

The Easyknit Group's profit for the year ended 31 March 2018, attributable to the Easyknit Shareholders was approximately HK\$297,163,000. As presented in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Post-Swap Easyknit Group as set out in Appendix VII to this circular, had the Swap Agreements been completed on 1 April 2017, the Post-Swap Easyknit Group's profit for the year attributable to the Easyknit Shareholders would have been approximately HK\$320,742,000. Details are set out in Appendix VII to this circular.

POSSIBLE EFFECT ON NET ASSET VALUE

At 30 September 2018, the Easyknit Group's total assets and net asset value were approximately HK\$4,762,110,000 and HK\$3,229,887,000 respectively. As illustrated in the unaudited pro forma consolidated statement of financial position of the Post-Swap Easyknit Group set out in Appendix VII to this circular, had the Swap Agreements been completed on 30 September 2018, total assets of the Post-Swap Easyknit Group would have been approximately HK\$5,154,704,000 and net asset value of the Post-Swap Easyknit Group would have been approximately HK\$3,237,463,000.

Audited financial information regarding the Eminence Sale Company for the years ended 31 March 2016, 2017 and 2018 and the six month ended 30 September 2018 is set out in Appendix VI to this circular. Further information regarding the financial implications of the Swap Agreements on the Easyknit Group is in the unaudited pro forma financial information of the Post-Swap Easyknit Group prepared pursuant to Rule 4.29 of the Listing Rules, set out in Appendix VII to this circular.

EFFECT OF DISPOSAL

The Easyknit Sale Company will cease to be a subsidiary of Easyknit on Completion. That will not affect the business of the Easyknit Group.

LETTER FROM THE EASYKNIT BOARD

INFORMATION ON THE EASYKNIT GROUP

The Easyknit Group is principally engaged in property investment, property development, securities investment and loan financing business. The Easyknit Group currently holds various commercial, industrial and residential properties in Hong Kong.

The principal activity of the Easyknit Sale Company is ownership of Easyknit Tower.

WARNING

The Swap Agreements are subject to, among other things, the approval of the Easyknit Shareholders and the approval of the Independent Eminence Shareholders.

Easyknit Shareholders and potential investors in Easyknit should exercise caution when dealing in or investing in the securities of Easyknit.

EASYKNIT SGM

A notice convening the Easyknit SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on 28 February 2019 at 9:00 a.m. is set out on pages N-Easyknit-1 to N-Easyknit-3 of this circular. A white proxy form for use at the Easyknit SGM is enclosed.

Whether or not they are able to attend the Easyknit SGM, Easyknit Shareholders are requested to complete the enclosed white proxy form in accordance with the instructions printed thereon and return it to Easyknit's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the Easyknit SGM.

Completion and return of the **white** proxy form will not preclude Easyknit Shareholders from attending and voting in person at the Easyknit SGM or any adjournment thereof should they so wish.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining eligibility to attend and vote at the Easyknit SGM, the register of members of Easyknit will be closed from 22 February 2019 to 28 February 2019 both days inclusive. During such period, no transfers of Easyknit Shares will be registered. In order to qualify to attend and vote at the Easyknit SGM, all transfers of Easyknit Shares accompanied by the relevant share certificates must be lodged with Easyknit's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m., on 21 February 2019.

LETTER FROM THE EASYKNIT BOARD

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
Easyknit International Holdings Limited
Tse Wing Chiu Ricky
President and Chief Executive Officer

LETTER FROM THE EMINENCE BOARD



EMINENCE ENTERPRISE LIMITED

高山企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

Executive Directors:

Mr. Kwong Jimmy Cheung Tim

(Chairman and Chief Executive Officer)

Ms. Lui Yuk Chu

(Deputy Chairman)

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent Non-executive Directors:

Mr. Kan Ka Hon

Mr. Lau Sin Ming

Mr. Foo Tak Ching

Mr. Wu Koon Yin Welly

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

Block A, 7th Floor

Hong Kong Spinners Building, Phase 6

481-483 Castle Peak Road

Cheung Sha Wan

Kowloon, Hong Kong

12 February 2019

To the Eminence Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION,
VERY SUBSTANTIAL DISPOSAL
– CONNECTED TRANSACTIONS,**

**EASY TOWER MANAGEMENT AGREEMENT
– EXEMPT CONTINUING
CONNECTED TRANSACTION**

INTRODUCTION

Eminence announced the Swap Agreements and Property Management Agreement, on 21 November, 2018. The purpose of this letter is to provide further information about them to Eminence Shareholders and to give notice of the Eminence SGM.

Under those agreements, amongst other things, the Easyknit Seller will sell, and the Eminence Buyer will acquire, Easy Tower by way of transfer of the Easyknit Sale Company and the Easyknit Seller will procure the assignment of the related Shareholder Loan, and the Eminence Seller will sell, and the Easyknit Buyer will acquire, the Inverness Road Property by way of transfer of the Eminence Sale Company and the Eminence Seller will procure the assignment of the related Shareholder Loan. Easyknit indirectly owns approximately 24.93%

LETTER FROM THE EMINENCE BOARD

of the issued share capital of Eminence, and accounts for Eminence in its financial statements using the equity method. Easyknit is a connected person of Eminence and the ultimate beneficial owner of the Easyknit Sale Company.

THE SWAP AGREEMENTS

I. EASYKNIT SALE AGREEMENT

Date : 19 November 2018

Parties : the Easyknit Seller as seller
the Eminence Buyer as buyer

Assets to be acquired and disposed of

Pursuant to the Easyknit Sale Agreement, amongst other things, the Eminence Buyer conditionally agreed to buy, and the Easyknit Seller agreed to sell, all the issued shares in the Easyknit Sale Company and the Easyknit Seller agreed to procure the assignment of the related Shareholder Loan at the Easyknit Sale Consideration. The sole material asset of the Easyknit Sale Company is Easy Tower.

The net profits (both before and after taxation and extraordinary items) attributable to the Easyknit Sale Company for the two financial years immediately preceding the date of the Easyknit Sale Agreement (prepared in accordance with Hong Kong Financial Reporting Standards) were as follows:

	For the year ended 31 March	
	2017	2018
	HK\$	HK\$
Net profit (before taxation)	21,580,286	43,253,261
Net profit (after taxation)	20,145,200	42,953,957

The original acquisition cost of the Easyknit Sale Company to the Easyknit Group was approximately HK\$97.9 million. The Easyknit Sale Company was acquired by Easyknit in 1996 from Lui Yuk Chu, an executive director of Easyknit, and her spouse, Koon Wing Yee, in a connected transaction of Easyknit approved in compliance with the Listing Rules at the relevant time.

Conditions precedent

Completion of the Easyknit Sale Agreement is conditional upon the fulfilment of conditions to the following effect:

1. the Eminence Buyer having completed its due diligence review on the business, financial, legal and other aspects of the Easyknit Sale Company and Easy Tower and being reasonably satisfied with the results thereof;

LETTER FROM THE EMINENCE BOARD

2. Eminence having obtained the requisite approval from the Independent Eminence Shareholders in relation to (i) the purchase of the Easyknit Sale Company and assignment of the related Shareholder Loan and (ii) the entering into of the Property Management Agreement by the Easyknit Sale Company, each as required under the Listing Rules; and
3. Easyknit having obtained the requisite approval from the Easyknit Shareholders in relation to the sale of the Easyknit Sale Company and assignment of the related Shareholder Loan as required under the Listing Rules.

None of these conditions had been satisfied at the Last Practicable Date. Conditions 2 and 3 above cannot be waived. In the event condition 1 above is not fulfilled (or waived by the Eminence Buyer) on or before the Long Stop Date, the Eminence Buyer may elect to terminate the Easyknit Sale Agreement, in which case, save for the return of the deposit (which shall be returned without any interest or cost), all rights, obligations and liabilities of the parties under the Easyknit Sale Agreement shall terminate and neither of the parties shall have any claim against the other in respect of the Easyknit Sale Agreement but without prejudice to the accrued rights and obligations of the parties before that termination.

Completion of the Easyknit Sale Agreement shall take place simultaneously with Completion of the Eminence Sale Agreement. If Completion of the Swap Agreements does not take place simultaneously on the Completion Date, the Completion Date of the Easyknit Sale Agreement may be postponed to a date to be agreed between the Easyknit Seller and the Eminence Buyer provided that such date shall not be a date beyond the Long Stop Date. If Completion of the Easyknit Sale Agreement does not take place Completion of the Eminence Sale Agreement will not take place, and vice versa.

Valuation

The value of Easy Tower under the Easyknit Sale Company in the books of Easyknit as at 31 March, 2018 the date of its latest audited published accounts, was HK\$447,000,000.00. Easy Tower was valued at HK\$460,000,000.00 at 14 November, 2018 by Colliers, a property valuer and an Independent Third Party and its valuation report is reproduced in Appendix II.

Easyknit Sale Consideration

The Easyknit Sale Consideration for the sale and purchase of the Easyknit Sale Company and the related Shareholder Loan is HK\$470,000,000.00 (of which at 31 October 2018, HK\$468,274,103.94 was attributable to the shares being purchased in the Easyknit Sale Company and HK\$1,725,896.06 was attributable to the related Shareholder Loan. If the amount of the Shareholder Loan outstanding at Completion is different the Easyknit Sale Consideration attributable to the shares being purchased and that attributable to the Shareholder Loan will change accordingly but the Easyknit Sale Consideration will not change), subject to adjustment by way of deduction of a sum

LETTER FROM THE EMINENCE BOARD

equal to the amount of the Bank Loan outstanding as at the Completion Date on a dollar for dollar basis. The Easyknit Sale Consideration was determined after arm's length negotiations between Eminence and Easyknit, taking into account their respective perceptions of the property market and valuations of Easy Tower.

HK\$23,500,000.00 of the Easyknit Sale Consideration was paid by way of deposit by the Eminence Buyer on the signing of the Easyknit Sale Agreement and the balance of the Easyknit Sale Consideration is to be paid by the Eminence Buyer to the Easyknit Seller by cheque (or such other method as may be agreed) on Completion.

The deposit shall be returned to the Eminence Buyer (without any interest or cost) upon termination of the Easyknit Sale Agreement, where (i) the conditions to that agreement are not satisfied or waived on or before the Long Stop Date and the Eminence Buyer has elected to terminate the Easyknit Sale Agreement; or (ii) the Easyknit Seller has failed or is unable to perform its Completion obligations and the Eminence Buyer is willing and able to perform its Completion obligations; or (iii) the Eminence Sale Agreement does not complete. The deposit shall be retained by the Easyknit Seller upon termination of the Easyknit Sale Agreement, where the Eminence Buyer has failed or is unable to perform its Completion obligations and the Easyknit Seller is willing and able to perform its Completion obligations.

The price for the assignment of the Shareholder Loan is the face value of the total outstanding amount of the Shareholder Loan as at Completion; and the price for the sale of the shares being sold in the Eminence Sale Company is the amount of the Eminence Sale Consideration less the price payable for the assignment of the Shareholder Loan. Not less than five Business Days before the Completion Date, the Eminence Seller will notify the Easyknit Buyer of the face value of the total outstanding amount of the Shareholder Loan to be outstanding at Completion and the actual price of the shares in the Eminence Sale Company. It is intended that a deed of set off (which will be a connected transaction for Eminence exempt from the disclosure and approval requirements under Chapter 14A of the Listing Rules) will be entered into at Completion under which the aggregate sum payable by the Eminence Group under the Easyknit Sale Agreement will be set off against the aggregate sum receivable by it under the Eminence Sale Agreement and the Eminence Group is expected to receive in cash net sale proceeds of approximately HK\$242,612,000.00. This is calculated as the difference between the net consideration under the Eminence Sale Agreement and the net consideration under the Easyknit Sale Agreement based on the balances of the Bank Loans and Shareholder Loans at 31 October 2018. At Completion there may be adjustments to the consideration under the Eminence Sale Agreement and the consideration under the Easyknit Sale Agreement based on the balances of the Bank Loans and Shareholder Loans at the date of Completion. The aggregate bank balances and cash resources of the Easyknit Group as at 31 December 2018 were approximately HK\$444.8 million, mainly being sales proceeds received from the disposal of a property at Nos. 301, 301A – C Prince Edward Road West in October 2018.

On Completion the Easyknit Sale Company will cease to be a subsidiary of Easyknit and will become a wholly-owned subsidiary of Eminence.

LETTER FROM THE EMINENCE BOARD

Mortgage

Easy Tower is subject to a mortgage in favour of OCBC Wing Hang Bank Limited, an Independent Third Party, to secure the Bank Loan. The mortgage and the Bank Loan will remain in place immediately following Completion.

Miscellaneous

Under the Easyknit Sale Agreement, the Easyknit Seller has agreed to give certain indemnities, including in respect of tax arising from the activities of the Easyknit Sale Company prior to the completion of the Easyknit Sale Agreement which is not disclosed in the audited accounts of the Easyknit Sale Company.

Stamp duty in respect of the transactions contemplated under the Easyknit Sale Agreement shall be borne by the Eminence Buyer.

II. EMINENCE SALE AGREEMENT

Date : 19 November 2018

Parties : the Easyknit Buyer as buyer
the Eminence Seller as seller

Assets to be acquired and disposed of

Pursuant to the Eminence Sale Agreement, amongst other things, the Easyknit Buyer conditionally agreed to buy, and the Eminence Seller agreed to sell, all the issued shares in the Eminence Sale Company and the Eminence Seller agreed to procure the assignment of the related Shareholder Loan at the Eminence Sale Consideration. The sole material asset of the Eminence Sale Company is the Inverness Road Property.

The net loss (both before and after taxation and extraordinary items) attributable to the Eminence Sale Company for the two financial years immediately preceding the date of the Eminence Sale Agreement (prepared in accordance with Hong Kong Financial Reporting Standards) were as follows:

	For the year ended 31 March	
	2017	2018
	HK\$	HK\$
Net loss (before taxation)	3,144,564	1,298,340
Net loss (after taxation)	3,455,284	1,298,339

LETTER FROM THE EMINENCE BOARD

Conditions precedent

Completion of the Eminence Sale Agreement is conditional upon the fulfilment of conditions to the following effect:

1. the Easyknit Buyer having completed its due diligence review on the business, financial, legal and other aspects of the Eminence Sale Company and the Inverness Road Property and being reasonably satisfied with the results thereof;
2. Eminence having obtained the requisite approval from the Independent Eminence Shareholders in relation to the sale of the Eminence Sale Company and assignment of the related Shareholder Loan as required under the Listing Rules; and
3. Easyknit having obtained the requisite approval from the Easyknit Shareholders in relation to the purchase of the Eminence Sale Company and assignment of the related Shareholder Loan as required under the Listing Rules.

None of these conditions had been satisfied at the Latest Practicable Date. Conditions 2 and 3 above cannot be waived. In the event that condition 1 above is not fulfilled (or waived by the Easyknit Buyer) at or before the Long Stop Date, the Easyknit Buyer may elect to terminate the Eminence Sale Agreement, in which case, save for the return of the deposit (which shall be returned without any interest or cost) all rights, obligations and liabilities of the parties under the Eminence Sale Agreement shall terminate and neither of the parties shall have any claim against the other in respect of the Eminence Sale Agreement but without prejudice to the accrued rights and obligations of the parties before that termination.

Completion of the Eminence Sale Agreement shall take place simultaneously with Completion of the Easyknit Sale Agreement. If Completion of the Swap Agreements does not take place simultaneously on the Completion Date, the Completion Date of the Eminence Sale Agreement may be postponed to a date to be agreed between the Eminence Seller and the Easyknit Buyer provided that such date shall not be a date beyond the Long Stop Date. If Completion of the Easyknit Sale Agreement does not take place Completion of the Eminence Sale Agreement will not take place, and vice versa.

Valuation

The value of the Inverness Road Property under the Eminence Sale Company in the books of Eminence as at 31 March, 2018, the date of its latest audited published accounts, was approximately HK\$713,800,000.00. The Inverness Road Property was valued at HK\$1,170,000,000.00 at 14 November, 2018 by Vigers, a property valuer and an Independent Third Party and its valuation report is reproduced in Appendix I.

LETTER FROM THE EMINENCE BOARD

Eminence Sale Consideration

The Eminence Sale Consideration for the sale and purchase of the Eminence Sale Company and related Shareholder Loan is HK\$1,035,000,000.00 (of which at 31 October 2018 HK\$590,781,571.05 was attributable to the shares being purchased in the Eminence Sale Company and HK\$444,218,428.95 was attributable to the related Shareholder Loan. If the amount of the Shareholder Loan outstanding at Completion is different the Eminence Sale Consideration attributable to the shares being purchased and that attributable to the Shareholder Loan will change accordingly but the Eminence Sale Consideration will not change), subject to adjustment by way of deduction of a sum equal to the amount of the Bank Loan outstanding as at the Completion Date on a dollar for dollar basis. The Eminence Sale Consideration was determined after arm's length negotiations between Eminence and Easyknit taking into account their respective perceptions of the property market and valuations of the Inverness Road Property.

HK\$51,750,000.00 of the Eminence Sale Consideration was paid by way of deposit by the Easyknit Buyer on the signing of the Eminence Sale Agreement and the balance of the Eminence Sale Consideration is to be paid by the Easyknit Buyer to the Eminence Seller by cheque (or such other method as may be agreed) on Completion.

The deposit shall be returned to the Easyknit Buyer (without any interest or cost) upon termination of the Eminence Sale Agreement, where (i) the conditions are not satisfied or waived on or before the Long Stop Date and the Easyknit Buyer has elected to terminate the Eminence Sale Agreement; or (ii) the Eminence Seller has failed or is unable to perform its Completion obligations and the Easyknit Buyer is willing and able to perform its Completion obligations; or (iii) the Easyknit Sale Agreement does not complete. The deposit shall be retained by the Eminence Seller upon termination of the Eminence Sale Agreement, where the Easyknit Buyer has failed or is unable to perform its Completion obligations and the Eminence Seller is willing and able to perform its Completion obligations.

On Completion the Eminence Sale Company will cease to be a subsidiary of Eminence and will become a wholly-owned subsidiary of Easyknit.

A gain of approximately HK\$51,459,000.00 is expected to accrue to Eminence on Completion of the Eminence Sale Agreement based on the excess of the Eminence Sale Consideration over the net asset value as at 30 November, 2018 of the Eminence Sale Company adjusted to take into account its Bank Loan and its Shareholder Loan.

The price for the assignment of the Shareholder Loan is the face value of the total outstanding amount of the Shareholder Loan as at Completion; and the price for the sale of the shares being purchased in the Easyknit Sale Company is the amount of the Easyknit Sale Consideration less the price payable for the assignment of the Shareholder Loan. Not less than five Business Days before the Completion Date, the Easyknit Seller will notify the Eminence Buyer of the face value of the total outstanding amount of the Shareholder Loan to be outstanding at Completion and actual price the shares in the Easyknit Sale Company. It is intended that a deed of set off (which will be a connected transaction for Eminence exempt from the disclosure

LETTER FROM THE EMINENCE BOARD

and approval requirements under Chapter 14A of the Listing Rules) will be entered into at Completion under which the aggregate sum payable by the Eminence Group under the Easyknit Sale Agreement will be set off against the aggregate sum receivable by it under the Eminence Sale Agreement, and the net sale proceeds expected to be received by the Eminence Group are intended to be applied in or towards its general working capital and/or the repayment of bank facilities.

Mortgage

The Inverness Road Property is subject to a mortgage in favour of Hang Seng Bank Limited, an Independent Third Party, to secure the Bank Loan. That mortgage will remain in place after Completion and the Bank Loan will remain in place immediately following Completion.

Miscellaneous

Under the Eminence Sale Agreement, the Eminence Seller has agreed to give certain indemnities, including in respect of tax arising from the activities of the Eminence Sale Company prior to the completion of the Eminence Sale Agreement which is not disclosed in the audited accounts of the Eminence Sale Company.

The stamp duty and all other taxes (if any) in respect of the transfer of the shares in the Eminence Sale Company and the assignment of the Loan will be borne solely by the Easyknit Buyer.

III. PROPERTY MANAGEMENT AGREEMENT

Date	:	To be executed at and subject to Completion of the Easyknit Sale Agreement.
Parties	:	(a) the Easyknit Sale Company; and (b) the Manager
Term	:	The Easyknit Sale Company will appoint the Manager to manage Easy Tower for an initial period of three years from Completion. Either party may terminate the Property Management Agreement at any time by giving not less than three months' notice to the other party.
Services	:	The management services to be provided include maintenance, repairing, renovation and security for Easy Tower.
Management fees	:	The management fees payable to the Manager under the Property Management Agreement by the Easyknit Sale Company will be payable monthly at the rate of 10% of the monthly expenditure incurred in the management of Easy Tower (excluding the management fee and any capital expenditure or expenditure drawn out of the capital funds, if any).

LETTER FROM THE EMINENCE BOARD

REASONS FOR AND BENEFITS OF THE SWAP AGREEMENTS AND THE PROPERTY MANAGEMENT AGREEMENT

The Eminence Group's principal businesses are in property investment, property development, investment in securities and loan financing. The Eminence Group currently holds various commercial, industrial and residential properties in Hong Kong, Singapore and the PRC.

The Manager currently provides property management services for Easy Tower to the Easyknit Group, of which it is a member. Pursuant to the Property Management Agreement the Manager will, amongst other things, provide property management services for Easy Tower to the Eminence Group after Completion. In this way the management of Easy Tower will continue to be in the hands of a manager that is familiar with it and well experienced in its management. The Property Management Agreement will facilitate the smooth transition, management and maintenance of Easy Tower and its tenants after Eminence acquires it and Eminence will have the flexibility and right to terminate the Property Management Agreement at any time by giving three months' notice.

The Eminence Directors (including the members of the Eminence IBC having received advice from the Independent Eminence Financial Adviser) are of the view that the disposal of the Inverness Road Property and acquisition of Easy Tower will better focus the Eminence Group's real estate activities on the industrial and non-residential sector. Whilst disposal of the Inverness Road Property and acquisition of Easy Tower will better focus the Eminence Group's real estate activities on the industrial and non-residential sector immediately afterwards it will still own three (3) residential units in Hong Kong with a value of approximately HK\$52.7 million (as appraised by Vigers on 4th October 2018). They will be held as investments and may be divested. The Eminence Group does not plan to increase its holdings in the residential sector.

Eminence already owns a site known as Fung Wah Factorial Building at Nos. 646, 648 & 648A, Castle Peak Road, Kowloon, Hong Kong which is adjacent to the site on which Easy Tower stands and the Eminence Directors consider that by acquiring Easy Tower the development potential of both sites will be significantly enhanced and its development business will benefit accordingly. Given that the Eminence Group's real estate activities now focus on the industrial and non-residential sector the disposal of the Inverness Road Property, which is in the residential sector and no longer part of that focus, is a both a way of financing part of the cost of acquisition of Easy Tower and of sharpening its focus on the industrial and non-residential sector.

Disposal of the Inverness Road Property is not a primary objective of Eminence. Its primary objective is acquisition of Easy Tower. Eminence owns and hopes to redevelop Fung Wah Factorial Building together with Easy Tower, and proposed sale of the Inverness Road Property as a way of funding acquisition of Easy Tower as well as raising cash.

The valuation of the Inverness Road Property set out in Appendix I was made on the basis that it is a completed development ready to be released to the market.

LETTER FROM THE EMINENCE BOARD

In order to complete and bring the Inverness Road Property to market, Eminence estimates that it would be required to spend an additional approximately HK\$135 million.

Accordingly, the purchase price of approximately HK\$1,035 million (subject to adjustment) for the Inverness Road Property, which is lower than the valuation of approximately HK\$1,170 million, is attractive to Eminence as it will enable it to make the cost savings of approximately HK\$135 million which Eminence would otherwise have to expend to complete the Inverness Road Property and bring it to market.

Assuming that construction of the Inverness Road Property is completed in the third quarter of 2019, sales of units in it can begin later after pre-sale arrangements are made and Government consents are acquired, which normally takes some time.

As individual units in developments such as the Inverness Road Property are commonly sold in the market (as opposed to a whole block sale). It is unlikely that all units in the development will be sold and that full payment for the units will be received when sales begin. It could take between 12-18 months to sell all units and receive full payment. It is therefore likely that by selling now Eminence will save on many months of bank interest costs.

The Property Management Agreement will enable transfer of ownership of Easy Tower to the Eminence Group from the Easyknit Group to proceed without disruption to the management of Easy Tower. The Eminence Directors (including the members of the Eminence IBC having received advice from the Independent Eminence Financial Adviser) are of the view that the Swap Agreements and the Property Management Agreement are in the interests of the Eminence Group and are on normal commercial terms, fair and reasonable and in the interests of the Eminence Shareholders as a whole and recommend the Independent Eminence Shareholders to vote in favour of the relevant resolutions at the Eminence SGM.

IMPLICATIONS UNDER THE LISTING RULES

Chapter 14

As one or more of the percentage ratios applicable to the sale of the Eminence Sale Company exceeds 75%, that sale is a very substantial disposal for Eminence and the Eminence Sale Agreement is subject to the reporting, announcement and Eminence Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As one or more of the percentage ratios applicable to the purchase of the Easyknit Sale Company exceeds 100%, that purchase is a very substantial acquisition for Eminence and the Easyknit Sale Agreement is subject to the reporting, announcement and Eminence Shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE EMINENCE BOARD

Chapter 14A

As a member of the Easyknit Group is a substantial shareholder of Eminence:–

- each of the Easyknit Sale Agreement and the Eminence Sale Agreement is a connected transaction for Eminence; and
- the Property Management Agreement will be a continuing connected transaction for Eminence.

As one or more of the applicable percentage ratios applicable to the sale of the Eminence Sale Company exceeds 25% and the total consideration exceeds HK\$10,000,000, the Eminence Sale Agreement is subject to the reporting, announcement, and Independent Eminence Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios applicable to the purchase of the Easyknit Sale Company exceeds 25% and the total consideration exceeds HK\$10,000,000, the Easyknit Sale Agreement is subject to the reporting, announcement, and Independent Eminence Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Property Management Agreement will be entered into at and subject to Completion. As all applicable percentage ratios for the transactions contemplated under the Property Management Agreement are less than 5% and the annual consideration is less than HK\$3,000,000, the Property Management Agreement will be an exempt continuing connected transaction for Eminence and will therefore be exempt from the disclosure and approval requirements under Chapter 14A of the Listing Rules.

Ms. Lui Yuk Chu (being an executive director of Eminence, a substantial shareholder of Eminence and an executive director of Easyknit) abstained from voting on the related Eminence Board resolutions in view of her interests in the Swap Agreements and Property Management Agreement and will abstain from voting on the Eminence SGM. Save as disclosed above, no director of Eminence had a material interest in the Swap Agreements and Property Management Agreement and thus was required to abstain from voting on the related Eminence Board resolutions.

The Eminence SGM notice of which is set out in this circular will be convened for Eminence Shareholders to consider and, if thought fit, approve the Swap Agreements. Only the Independent Eminence Shareholders will be entitled to vote on the resolution to approve the Swap Agreements at the Eminence SGM and Easyknit (which at the Latest Practicable Date owned 24.93% of the total issued Eminence Shares) and its close associates will abstain.

POSSIBLE EFFECT ON EARNINGS

The Eminence Group's profit for the year ended 31 March 2018, attributable to the Eminence Shareholders was approximately HK\$53,539,000. As presented in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Post-Swap Eminence Group as set out in Appendix VIII to this circular, had the Swap

LETTER FROM THE EMINENCE BOARD

Agreements been completed on 1 April 2017, the Post-Swap Eminence Group's profit for the year attributable to the Eminence Shareholders would have been approximately HK\$564,310,000.

POSSIBLE EFFECT ON NET ASSET VALUE

At 30 September 2018, the Eminence Group's total assets and net asset value were approximately HK\$4,375,322,000 and HK\$2,631,487,000 respectively. As illustrated in the unaudited pro forma consolidated statement of financial position of the Post-Swap Eminence Group set out in Appendix VIII to this circular, had the Swap Agreements been completed on 30 September 2018, total assets of the Post-Swap Eminence Group would have been approximately HK\$4,215,372,000 and net asset value of the Post-Swap Eminence Group would have been approximately HK\$2,856,555,000.

Audited financial information regarding the Easyknit Sale Company for the years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2018 is set out in Appendix V to this circular. Further information regarding the financial implications of the Swap Agreements on the Eminence Group is in the unaudited pro forma financial information of the Post-Swap Eminence prepared pursuant to Rule 4.29 of the Listing Rules, set out in Appendix VIII to this circular.

EFFECT OF DISPOSAL

The Eminence Sale Company will cease to be a subsidiary of Eminence on Completion. That will not affect the business of the Eminence Group.

INFORMATION ON THE EMINENCE GROUP

The Eminence Group is principally engaged in property investment, property development, securities investment and loan financing business. The Eminence Group currently holds various commercial, industrial and residential properties in Hong Kong, Singapore and the PRC.

The principal activity of the Eminence Sale Company is ownership of the Inverness Road Property.

WARNING

The Swap Agreements are subject to, inter alia, the approval of the Easyknit Shareholders and the approval of the Independent Eminence Shareholders.

Eminence Shareholders and potential investors in Eminence should exercise caution when dealing in or investing in the securities of Eminence.

LETTER FROM THE EMINENCE BOARD

EMINENCE SGM

A notice convening the Eminence SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on 28 February 2019 at 9:00 a.m. is set out on pages N-Eminence-1 to N-Eminence-3 of this circular. A blue proxy form for use at the Eminence SGM is enclosed.

Whether or not they are able to attend the Eminence SGM, Eminence Shareholders are requested to complete the enclosed blue proxy form in accordance with the instructions printed thereon and return it to Eminence's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the Eminence SGM.

Completion and return of the blue proxy form will not preclude Independent Eminence Shareholders from attending and voting in person at the Eminence SGM or any adjournment thereof should they so wish.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining eligibility to attend and vote at the Eminence SGM, the register of members of Eminence will be closed from 22 February 2019 to 28 February 2019 both days inclusive. During such period, no transfers of Eminence Shares will be registered. In order to qualify to attend and vote at the Eminence SGM, all transfers of Eminence Shares accompanied by the relevant share certificates must be lodged with Eminence's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 21 February 2019.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
EMINENCE ENTERPRISE LIMITED
Kwong Jimmy Cheung Tim
Chairman and Chief Executive Officer

LETTER FROM THE INDEPENDENT EMINENCE FINANCIAL ADVISER

The following is the full text of the letter from the Independent Eminence Financial Adviser which sets out its advice to the Eminence IBC and Independent Eminence Shareholders regarding the very substantial acquisition and very substantial disposal for the purpose of inclusion in this circular.



红日资本有限公司
RED SUN CAPITAL LIMITED

12 February 2019

To: The Eminence IBC and Independent Eminence Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL ACQUISITION, VERY SUBSTANTIAL DISPOSAL – CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Eminence Financial Adviser to advise the Eminence IBC and the Independent Eminence Shareholders in relation to the entering into the Swap Agreements by the Eminence Buyer, the Easyknit Seller, the Easyknit Buyer and the Eminence Seller, details of which are set out in the letter from the Eminence Directors (the “**Letter from the Eminence Board**”) enclosed in the circular dated 12 February 2019 issued by Eminence to the Eminence Shareholders and by Easyknit to the Easyknit Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 19 November 2018, the Eminence Group and the Easyknit Group entered into the conditional Swap Agreements, pursuant to which (i) the Eminence Buyer agreed to acquire, and the Easyknit Seller agreed to sell, all the issued shares in the Easyknit Sale Company (the sole material asset of which is Easy Tower) and the Easyknit Seller agreed to procure the assignment of the related Shareholder Loan at an aggregate consideration of HK\$470,000,000 (the “**VSA**”); and (ii) the Easyknit Buyer agreed to acquire, and the Eminence Seller agreed to sell, all the issued share in the Eminence Sale Company (the sole material asset of which is the Inverness Road Property) and the Eminence Seller agreed to procure the assignment of the related Shareholder Loan at an aggregate consideration of HK\$1,035,000,000 (the “**VSD**”). The VSA and the VSD are inter-conditional, if the completion of the VSA does not take place, the completion of the VSD will not take place, and vice versa.

As at the Latest Practicable Date, Easyknit indirectly own approximately 24.93% of the issued share capital of Eminence, and it accounts for Eminence in its financial statements using the equity method. Easyknit is a connected person of Eminence.

LETTER FROM THE INDEPENDENT EMINENCE FINANCIAL ADVISER

As one or more of the percentage ratios applicable to the sale of the Eminence Sale Company exceed 75%, the VSD constitutes a very substantial disposal for Eminence and the Eminence Sale Agreement is subject to the reporting, announcement and Eminence Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As one or more of the percentage ratios applicable to the purchase of the Easyknit Sale Company exceeds 100%, the VSA constitute a very substantial acquisition for Eminence and therefore the Easyknit Sale Agreement is subject to the reporting, announcement and Eminence Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, as Easyknit is a substantial shareholder of Eminence, each of the Eminence Sale Agreement and the Easyknit Sale Agreement constitutes a connected transaction for Eminence; and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing rules. In this regard, the Easyknit and its close associates required to abstain from voting on the ordinary resolution to the proposed at the Eminence SGM to approve the Swap Agreements.

THE EMINENCE IBC

The Eminence IBC comprising all independent non-executive Eminence Directors, namely Mr. Kan Ka Hon, Mr. Lau Sin Ming, Mr. Foo Tak Ching and Mr. Wu Koon Yin Welly, has been established to advise the Independent Eminence Shareholders as to whether the terms of the Swap Agreements are fair and reasonable so far as the Independent Eminence Shareholders are concerned and to make a recommendation on voting.

We, Red Sun Capital Limited, have been appointed by Eminence as the Independent Eminence Financial Adviser to advise the Eminence IBC and the Independent Eminence Shareholders in relation to the VSA and the VSD. Our appointment has been approved by the Eminence IBC. Our role as the Independent Eminence Financial Adviser is to give our recommendation to the Eminence IBC and the Independent Eminence Shareholders as to (i) whether the terms of the Swap Agreements are fair and reasonable so far as the Independent Eminence Shareholders are concerned; (ii) whether the VSA and VSD are in the interests of the Eminence Group and the Eminence Shareholders as a whole; and (iii) how the Independent Eminence Shareholders should vote in respect of the relevant resolution to approve the Swap Agreements at the Eminence SGM.

LETTER FROM THE INDEPENDENT EMINENCE FINANCIAL ADVISER

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provide to us by the Eminence Directors and the management of Eminence. We have reviewed, inter alia, the statements, the information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Eminence Directors. We have assumed that all statements, information and representations provided by the Eminence Directors and the management of Eminence, for which they are solely responsible, were true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Shareholders will be notified or any material changes to such information and representations on or before of the Eminence SGM. We have also assumed that all statements of belief, opinion and expectation made by the Eminence Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by Eminence, its advisers and/or the Eminence Directors. We believe that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Eminence Directors and the management of Eminence, nor have we conducted an independent investigation into the business and affairs of the Eminence Group.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Eminence Group and the Easyknit Group and we have not been furnished with any such evaluation or appraisal, save and except for the independent property valuation report on the Inverness Road Property (“**Valuation Report 1**”) prepared by Vigers and the independent property valuation report on Easy Tower (“**Valuation Report 2**”) prepared by Colliers as set out in Appendix I and Appendix II to the Circular, respectively. Since we are not experts in the valuation of land and/or properties, we have relied solely upon Valuation Report 1 and Valuation Report 2 for the market values of Inverness Road Property and Easy Tower as at 14 November 2018 (the “**Valuation**”).

The Eminence Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Eminence Group and the Easyknit Group, nor have we considered the taxation implication as a result of the VSA and the VSD. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Eminence Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion after the Latest Practicable Date or to update, revise or reaffirm

LETTER FROM THE INDEPENDENT EMINENCE FINANCIAL ADVISER

our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any shares or any other securities of the Eminence Group and the Easyknit Group.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Red Sun Capital Limited is to ensure that such information has been correctly extracted from the relevant sources.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in Eminence or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have acted as the independent financial adviser to the independent board committee and the independent shareholders of Eminence in relation to a connected transaction in relation to proposed issue of convertible note under specific mandate whose circular (including our Letter from Independent Financial Adviser) was published on 28 August 2017 and we have also acted as the independent financial adviser to the independent board committee and the independent shareholders of Eminence in relation to a connected transaction relating to the proposed issued of 2017CB under a specific mandate and proposed refreshment of general mandate to issue new shares whose circular (including our Letter from Independent Financial Adviser) was published on 5 April 2017. Apart from the abovementioned independent financial adviser roles, we have not acted in any capacity for Eminence in the past two years.

Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Eminence Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from Eminence or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT EMINENCE FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

1. Business and financial overview of the Eminence Group

Table 1: Consolidated income statement of the Eminence Group

	For the six months ended 30 September		For the year ended 31 March	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(audited)	(audited)
Revenue	29,218	24,872	49,605	36,518
Cost of goods sold & services rendered	(1,547)	(1,159)	(2,880)	(171)
Loss before tax	(40,514)	(4,181)	(54,608)	(29,592)
Income tax (expense)/credit	922	1,726	(1,069)	2,965
Profit/(Loss) for the year	(39,592)	(2,455)	53,539	(26,627)

For the six months ended 30 September 2018 versus for the six months ended 30 September 2017

As extracted from the interim report for the six months ended 30 September 2018 (“**2018 Interim Report**”), the principal source of revenue of the Eminence Group was derived from (i) rental income; and (ii) interest income from loan financing which respectively contributed to approximately 69.1% and 30.9% of the total revenue of the Eminence Group for the six months ended 30 September 2018, respectively.

As set out in Table 1 above, the revenue of the Eminence Group increased by approximately HK\$4.3 million or approximately 17.5% from approximately HK\$24.9 million for the six months ended 30 September 2017 to approximately HK\$29.2 million for the six months ended 30 September 2018. Such increase was mainly attributable to (i) the increase in rental income by approximately HK\$4.0 million from approximately HK\$16.2 million for the six months ended 30 September 2017 to approximately HK\$20.2 million for the six months ended 30 September 2018; and (ii) the increase in interest income from loan financing by approximately HK\$0.3 million from approximately HK\$8.7 million for the six months ended 30 September 2017 to approximately HK\$9.0 million for the six months ended 30 September 2018.

The Eminence Group’s loss further increased by approximately HK\$37.1 million from approximately HK\$2.5 million for the six months ended 30 September 2017 to approximately HK\$39.6 million for the six months ended 30 September 2018, which was mainly attributable to (i) the increase in administrative expenses of approximately HK\$6.7 million; and (ii) the increase in the loss on fair value change of financial assets at fair value through profit or loss amounting to approximately HK\$24.3 million.

LETTER FROM THE INDEPENDENT EMINENCE FINANCIAL ADVISER

Financial year ended 31 March 2018 (“FY2018”) versus financial year ended 31 March 2017 (“FY2017”)

As extracted from the annual report of the Eminence Group for the year ended 31 March 2018 (“**2018 Annual Report**”), the principal source of revenue of the Eminence Group was derived from (i) rental income; and (iii) interest income from loan financing which contributed to approximately 66.5% and 33.5% of the total revenue of the Eminence Group for FY2018, respectively.

As set out in the Table 1 above, the revenue of the Eminence Group increased by approximately HK\$13.1 million or approximately 35.8% from approximately HK\$36.5 million in FY2017 to approximately HK\$49.6 million in FY2018. Such increase was mainly attributable to (i) the increase in the rental income by HK\$3.6 million from approximately HK\$29.4 million in FY2017 to approximately HK\$33.0 million in FY2018; and (ii) the increase in interest income from loan financing by HK\$9.7 million from approximately HK\$6.9 million in FY2017 to approximately HK\$16.6 million in FY2018.

The Eminence Group’s profit for the year increased by approximately HK\$80.2 million from a net loss of approximately HK\$26.7 million for FY2017 to a net profit of approximately HK\$53.5 million for FY2018, which was mainly attributable to the gain arising from changes in fair value of investment properties amounting to approximately HK\$72.3 million as compared to a fair value loss of approximately HK\$12.8 million in FY2017.

Table 2: Consolidated statement of financial position of the Eminence Group

	As at 30 September 2018 HK\$’000 (Unaudited)	As at 31 March 2018 2017 HK\$’000 (audited)	2017 HK\$’000 (audited)
Non-current assets	1,134,375	1,944,228	1,526,852
Current assets	3,240,947	2,067,689	1,880,798
Non-current liabilities	1,065,202	707,315	394,974
Current liabilities	678,633	589,314	560,523
Net current assets	2,562,314	1,478,375	1,320,275
Equity attributable to the owners	2,631,487	2,715,288	2,452,153

Financial position as at 30 September 2018 versus financial position as at 31 March 2018

As set out in Table 2 above, as at 30 September 2018, the Eminence Group recorded net current assets of approximately HK\$2,562.3 million (31 March 2018: approximately HK\$1,478.4 million). The Eminence Group’s current assets increased from approximately HK\$2,067.7 million during FY2018 to approximately HK\$3,240.9 million as at 30 September 2018. Such increase was mainly attributable to the (i) the increase in properties held for development for sale by approximately HK\$1,076.3

LETTER FROM THE INDEPENDENT EMINENCE FINANCIAL ADVISER

million; (ii) the decrease in trade and other receivables by approximately HK\$13.6 million; (iii) the increase in loan receivables by approximately HK\$79.5 million; and (iv) the increase in financial assets at fair value through profit or loss by approximately HK\$33.4 million. The Eminence Group's current liabilities increased from approximately HK\$589.3 million as at 31 March 2018 to approximately HK\$678.6 million as at 30 September 2018 and this was mainly attributable to (i) the increase in trade and other payables by approximately HK\$189.8 million; and (ii) the decrease in convertible notes by approximately HK\$106.3 million.

Financial position as at 31 March 2018 versus financial position as at 31 March 2017

As set out in Table 2 above, as at 31 March 2018, the Eminence Group recorded net current assets of approximately HK\$1,478.4 million (31 March 2017: approximately HK\$1,320.3 million). The Eminence Group's current assets increased from approximately HK\$1,880.8 million as at 31 March 2017 to approximately HK\$2,067.7 million as at 31 March 2018. Such increase was mainly attributable to the net effect of (i) the increase in properties held for development for sale by approximately HK\$599.2 million; (ii) the increase in trade and other receivables by approximately HK\$9.7 million; (iii) the decrease in other financial assets by approximately HK\$18.3 million; and (iv) the decrease in bank balances and cash by approximately HK\$284.5 million; whereas the Eminence Group's current liabilities increased from approximately HK\$560.5 million as at 31 March 2017 to approximately HK\$589.3 million as at 31 March 2018 which was mainly attributable to net effect of (i) the increase in trade and other payables by approximately HK\$41.0 million; and (ii) the decrease in convertible notes by approximately HK\$12.3 million.

2. Background of the VSA

(i) Easyknit Sale Agreement

Date:

19 November 2018

Parties:

The Easyknit Seller as seller

The Eminence Buyer as buyer

Pursuant to the Easyknit Sale Agreement, amongst other things, the Eminence Buyer conditionally agreed to buy, and the Easyknit Seller agreed to sell, all the issued shares in the Easyknit Sale Company and the Easyknit Seller agreed to procure the assignment of the related Shareholder Loan at the Easyknit Sale Consideration. The sole material asset of the Easyknit Sale Company is Easy Tower.

LETTER FROM THE INDEPENDENT EMINENCE FINANCIAL ADVISER

The net profits (both before and after taxation and extraordinary items) attributable to the Easyknit Sale Company for the two financial years immediately preceding the date of the Easyknit Sale Agreement (prepared in accordance with Hong Kong Financial Reporting Standards) were as follows:

	For the year ended	
	31 March	
	2017	2018
	<i>HK\$</i>	<i>HK\$</i>
Net profit (before taxation)	21,580,286	43,253,261
Net profit (after taxation)	20,145,200	42,953,957

Easyknit Sale Consideration

The Easyknit Sale Consideration for the sale and purchase of the Easyknit Sale Company and the related Shareholder Loan is HK\$470,000,000, of which as at 31 October 2018, HK\$468,274,103.94 was attributable to the shares being purchased in the Easyknit Sale Company and HK\$1,725,896.06 was attributable to the related Shareholder Loan.

Conditions precedent

Completion of the Easyknit Sale Agreement is conditional upon the fulfilment of the following conditions:

1. The Eminence Buyer having completed its due diligence review on the business, financial, legal and other aspects of the Easyknit Sale Company and Easy Tower and being reasonably satisfied with the results thereof;
2. Eminence having obtained the requisite approval from the Independent Eminence Shareholders in relation to (i) the purchase of the Easyknit Sale Company and assignment of the related Shareholder Loan and (ii) the entering into of the Property Management Agreement by the Easyknit Sale Company, each as required under the Listing Rules; and
3. Easyknit having obtained the requisite approval from the Easyknit Shareholders in relation to the sale of the Easyknit Sale Company and assignment of the related Shareholder Loan as required under the Listing Rules.

Conditions 2 and 3 above cannot be waived. In the event condition 1 above is not fulfilled (or waived by the Eminence Buyer) on or before the Long Stop Date, the Eminence Buyer may elect to terminate the Easyknit Sale Agreement, in which case, save for the return of the deposit (which shall be returned without any interest or cost), all rights, obligations and liabilities of the parties under the Easyknit Sale Agreement shall terminate and neither of the parties shall have any

LETTER FROM THE INDEPENDENT EMINENCE FINANCIAL ADVISER

claim against the other in respect of the Easyknit Sale Agreement but without prejudice to the accrued rights and obligations of the parties before that termination.

Completion of the Easyknit Sale Agreement shall take place simultaneously with the Completion of the Eminence Sale Agreement. If Completion of the Swap Agreements does not take place simultaneously on the Completion Date, the Completion Date of the Easyknit Sale Agreement may be postponed to a date to be agreed between the Easyknit Seller and the Eminence Buyer provided that such date shall not be a date beyond the Long Stop Date. If Completion of the Easyknit Sale Agreement does not take place Completion of the Eminence Sale Agreement will not take place, and vice versa.

3. Background of the VSD

(ii) *Eminence Sale Agreement*

Date:

19 November 2018

Parties:

The Easyknit Buyer as buyer
The Eminence Seller as seller

Pursuant to the Eminence Sale Agreement, amongst other things, the Easyknit Buyer conditionally agreed to buy, and the Eminence Seller agreed to sell, all the issued shares in the Eminence Sale Company and the Eminence Seller agreed to procure the assignment of the related Shareholder Loan at the Eminence Sale Consideration. The sole material asset of the Eminence Sale Company is the Inverness Road Property.

The net loss (both before and after taxation and extraordinary items) attributable to the Eminence Sale Company for the two financial years immediately preceding the date of the Eminence Sale Agreement (prepared in accordance with Hong Kong Financial Reporting Standards) were as follows:

	For the year ended	
	31 March	
	2017	2018
	<i>HK\$</i>	<i>HK\$</i>
Net loss (before taxation)	3,144,564	1,298,340
Net loss (after taxation)	3,455,284	1,298,339

LETTER FROM THE INDEPENDENT EMINENCE FINANCIAL ADVISER

Eminence Sale Consideration

The Eminence Sale Consideration for the sale and purchase of the Eminence Sale Company and related Shareholder Loan is HK\$1,035,000,000 (of which at 31 October 2018 HK\$590,781,571.05 was attributable to the shares being purchased in the Eminence Sale Company and HK\$444,218,428.95 was attributable to the related Shareholder Loan).

Upon Completion the Eminence Sale Company will cease to be a subsidiary of Eminence and will become a subsidiary of Easyknit.

A gain of approximately HK\$20,800,000 is expected to accrue to Eminence on Completion of the Eminence Sale Agreement based on the excess of the Eminence Sale Consideration over the net asset value as at 31 October 2018 of the Eminence Sale Company adjusted to take into account its indebtedness to a bank and the Shareholder Loan.

The aggregate sum payable by the Eminence Group under the Easyknit Sale Agreement will be set off against the aggregate sum receivable by it under the Eminence Sale Agreement, and the net sale proceeds expected to be received by the Eminence Group are intended to be applied in or towards its general working capital and/or the repayment of bank facilities.

Conditions precedent

Completion of the Eminence Sale Agreement is conditional upon the fulfilment of the following conditions:

1. the Easyknit Buyer having completed its due diligence review on the business, financial, legal and other aspects of the Eminence Sale Company and the Inverness Road Property and being reasonably satisfied with the results thereof;
2. Eminence having obtained the requisite approval from the Independent Eminence Shareholders in relation to the sale of the Eminence Sale Company and assignment of the related Shareholder Loan as required under the Listing Rules; and
3. Easyknit having obtained the requisite approval from the Easyknit Shareholders in relation to the purchase of the Eminence Sale Company and assignment of the related Shareholder Loan as required under the Listing Rules.

Conditions 2 and 3 above cannot be waived. In the event that condition 1 above is not fulfilled (or waived by the Easyknit Buyer) at or before the Long Stop Date, the Easyknit Buyer may elect to terminate the Eminence Sale Agreement, in which case, save for the return of the deposit (which shall be returned without any interest or cost) all rights, obligations and liabilities of the

LETTER FROM THE INDEPENDENT EMINENCE FINANCIAL ADVISER

parties under the Eminence Sale Agreement shall terminate and neither of the parties shall have any claim against the other in respect of the Eminence Sale Agreement but without prejudice to the accrued rights and obligations of the parties before that termination.

3. Reasons for and benefits for the VSA and the VSD

The Eminence Group's principal businesses are property investment (comprising the ownership and rental of investment properties), property development, investment in securities and loan financing. The Eminence Group currently holds various commercial, industrial and residential properties in Hong Kong. As disclosed in the 2018 Interim Result, the Eminence Group wholly owned the Inverness Road Property, which is a residential property with a total gross floor area ("GFA") of approximately 47,000 square feet ("sq. ft."). As at 30 September 2018, the Inverness Road Property has commenced and it will be developed into a luxurious residential property with car parks, and is expected to be completed before the end of 2019. Given that the Eminence Group's real estate activities now focus on the industrial and non-residential sector, the disposal of the Inverness Road Property, which is in the residential sector and no longer part of that focus, is both a way of financing part of the cost of acquisition of Easy Tower and of sharpening its focus on the industrial and non-residential sector. Furthermore, Eminence already owns a site known as Fung Wah Factorial Building at Nos. 646, 648 & 648A, Castle Peak Road, Kowloon, Hong Kong which is adjacent to the site on which Easy Tower stands and the Eminence Directors consider that by acquiring Easy Tower the development potential of both sites will be significantly enhanced and its development business will benefit accordingly.

In addition, according to the research publication, "Half-Yearly Monetary and Financial Stability Report", published by The Hong Kong Money Authority:

"Reflecting the Government's efforts in addressing land and housing supply issues, the government-appointed Task Force on Land Supply launched a five-month public engagement exercise in late-April to invite stakeholders to offer views on land supply options and other land supply-related issues. In late June, the Government announced six new housing initiatives. These include revising the pricing policy for subsidised sale flats to make them more affordable. To increase the supply of public housing, some private housing sites will be reallocated for public housing in order to provide more than 10,000 units in the coming four years. To encourage a more timely supply of private flats in the primary market, the Government proposed "special-rates" on vacant first-hand private residential units.

A variety of factors make the outlook for the residential property market uncertain. On the one hand, the current favourable employment and income conditions might provide some support for the demand for property. On the other hand, the property market is likely to face a number of headwinds. In particular, if the US-China trade tensions persist or intensify, the positive market sentiments could turn quickly. Furthermore, as the US monetary policy normalisation process continues, domestic mortgage rates are set to increase along with the rising funding costs of the banks. Indeed, banks increased their effective mortgage rates by raising the cap for newly approved HIBOR-based mortgages in August. In addition, the

LETTER FROM THE INDEPENDENT EMINENCE FINANCIAL ADVISER

supply-demand gap is expected to narrow in the longer term, as the supply of residential property is likely to increase on the back of the Government's effort to address land and housing shortages.

Regarding the outlook for non-residential property, a number of offsetting forces are at play. For example, steady growth in retail sales and inbound tourism may support the demand for retail premises in the near term. The demand for office space may be sustained by continuing business expansion in some high value-added services, such as financial and professional services sectors. However, the uncertainty arising from the US-China trade tensions and the risk of rising domestic interest rates could restrain the overall demand for non-residential properties."

The Eminence Directors are of the view that (i) the disposal of the Inverness Road Property and acquisition of Easy Tower will better focus the Eminence Group's real estate activities on the industrial and non-residential sector; and (ii) the Swap Agreements are in the interests of the Eminence Group and are on normal commercial terms, fair and reasonable and in the interests of the Eminence Shareholders as a whole.

In view of (i) the uncertainty of the residential property markets and (ii) the demand for office space created by continuing business expansion in some high value-added services, such as financial and professional services sectors, we are of the view that the Swap Agreements are in the interests of the Eminence Group and are on normal commercial terms, fair and reasonable and in the interests of the Eminence Shareholders as a whole and recommend the Independent Eminence Shareholders to vote in favour of the relevant resolutions at the Eminence SGM.

4. Basis of Easyknit Sale Consideration and Eminence Sale Consideration

The Eminence Sale Consideration was determined after arm's length negotiations between Eminence and Easyknit taking into account their respective perceptions of the property market and valuations of the Inverness Road Property.

The Easyknit Sale Consideration was determined after arm's length negotiations between Eminence and Easyknit, taking into account their respective perceptions of the property market and valuations of Easy Tower.

(i) Eminence Sale Consideration

Valuation Report 1

The value of the Inverness Road Property under the Eminence Sale Company in the books of Eminence as at 31 March 2018, the date of its latest audited published accounts, was approximately HK\$713,800,000. The Inverness Road Property was valued at HK\$1,170,000,000 at 14 November 2018 by Vigers Appraisal and Consulting Limited ("**Vigers**"), a property valuer and an Independent Third Party. That valuation was conducted on the basis of the "market approach" which provides an indication of value by comparing the asset

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with similar comparable assets for which price information is available. The direct comparison method of valuation whereby comparison is based on actual sales transactions of comparable properties was utilised.

Based on our discussion with Vigers, the valuation methodology in accordance with “The HKIS Valuation Standards (2017 Edition)” published by the Hong Kong Institute of Surveyors of any asset can be broadly classified into one of three approaches, namely the cost approach, the direct comparison approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach considered to be most relevant will then be selected for use in the fair value analysis of that asset. For properties held for development purposes, the market value is determined with reference to actual sales transactions of comparable properties. The management of the Eminence Group has confirmed that the information provided to Vigers for their valuation purposes was complete and up-to-date and the financial information of each property was prepared under comparable accounting policies. We understood from Vigers that both the cost approach and income approach were not applicable to the valuation of the Inverness Road Property as at 14 November 2018.

Regarding the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset’s most likely future benefit stream. This selected benefit is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the valuation date, business risks associated with the industry in which Eminence operates, and other risks specific to the asset being valued. As the future economic benefit stream and the discount rate requires various assumptions and subject to various uncertainties such as economic environment in the future due to the properties being still under development, Vigers considers that the adoption of income approach in this case may not be appropriate for the valuation of the Inverness Road Property.

Regarding the cost approach, through our discussion with Vigers, we are given to understand that cost approach will only be considered when there is no public market information available in relation to acquisition of property. In addition, under the cost approach, the value is established based on the land costs and the costs of construction in reproducing the property, but without taking into account the market conditions. Given that there is public market information available in relation to acquisition of comparable property, Vigers considers that adopting the cost approach in this case may not be appropriate for the valuation of the Inverness Road Property.

Given the income approach and cost approach may not be appropriate for the valuation of the Inverness Road Property, Vigers has adopted the direct comparison method which consist of comparisons based on prices realised or current asking prices of comparable properties. During our discussion with Vigers, and the review on Valuation Report, we understand how the Valuation was being derived and how the comparable properties of similar size, character and location

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were weighed against their respective advantages and drawbacks. We have discussed with Vigers on the valuation methodology applied and reviewed the comparables provided by Vigers. For valuation purposes, Vigers has selected 4 comparable properties (“**Comparables**”). Regarding the locations of those comparable properties, we have performed desktop search and noted that all of the comparables are located in Hong Kong and in proximity to the Property.

We have also reviewed the sizes and ages of the Comparables used in the Viger’s direct comparison approach, which is summarised as follows:

Property type	Comparable A	Comparable B	Comparable C	Comparable D	Average
Year of Completion (age)	2	2	2	2	2
Gross floor area (sq. ft)	1,583	1,534	883	1,514	1,378.5

Note: The Inverness Road Property’s gross floor area was calculated based on the average amount of the gross floor area of all flats in the Inverness Road Property. The gross floor area of the flats in the Property ranged from approximately 883 sq. ft to 1,583 sq. ft.

As noted from the table above, the completion of each comparable was within 2 years and the gross floor area of the Comparables are ranged from 883 sq. ft to 1,583 sq. ft, given (i) the average gross floor area of the flats in the building (1,378.5 sq. ft) is within the range of the Comparables; and (ii) the age of completion of each comparable is close to that of the Inverness Road Property, we are of the view that the Comparables used by the Vigers are fair and reasonable.

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of Vigers with the Eminence Group; (ii) Viger’s qualification and experience in relation to the preparation of Valuation Report 1; and (iii) the steps and due diligence measures taken by the Vigers for conducting the valuation. From the engagement letter and other relevant information provided by Vigers and based on our interview with it, we are satisfied with the terms of engagement of Vigers as well as its qualification and experience for preparation of Valuation Report. Vigers has also confirmed that it is independent to the Eminence Group.

We are of the view that the valuation methodology and assumptions adopted by Vigers are appropriate, and enable a complete, fair and reasonable comparison of the relative values of the principal businesses.

(ii) Easyknit Sale Consideration

Valuation Report 2

The value of the Easy Tower under the Easyknit Sale Company in the books of Easyknit as at 31 March 2018 the date of its latest audited published accounts, was approximately HK\$447,000,000. Easy Tower was valued at approximately HK\$460,000,000 at 14 November 2018 by Colliers International (Hong Kong) Limited (“**Colliers**”), an Independent Third Party and a property valuer. Colliers have adopted the Income Approach – the Term and Reversion Method, an approach that estimates the value of properties or assets on a market basis by capitalizing net rental income on a fully leased basis. This method is used when a property or asset is leased out for a specific term(s). The technique considers both the current passing rental income from existing tenancies and the potential future reversionary income at market level, by capitalising both at term yield of approximately 3.00% and reversionary yield of approximately 3.25%.

Based on our discussion with Colliers, the valuation methodology in accordance with “The HKIS Valuation Standards (2017 Edition)” published by the Hong Kong Institute of Surveyors of any asset can be broadly classified into one of three approaches, namely the cost approach, the direct comparison approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach considered to be most relevant will then be selected for use in the fair value analysis of that asset. As the Easy Tower is subject to existing tenancies, Colliers considered that the adoption of the Income Approach – the Term and Reversion Method in this case was appropriate for the valuation of Easy Tower.

The management of the Eminence Group has confirmed that the information provided to Colliers for their valuation purposes was complete and up-to-date and the financial information of each property was prepared under comparable accounting policies. We are of the view that the valuation methodology and assumptions adopted by Colliers for determining the consideration used in the Swap Agreement are appropriate, and enable a complete, fair and reasonable comparison of the relative values of the principal properties.

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of Colliers with the Eminence Group; (ii) Colliers’ qualification and experience in relation to the preparation of Valuation Report 2; and (iii) the steps and due diligence measures taken by Colliers for conducting the valuation. From the engagement letter and other relevant information provided by Colliers and based on our interview with it, we are satisfied with the terms of engagement of Colliers as well as its qualification and experience for preparation of Valuation Report. Colliers has also confirmed that it is independent of the Eminence Group.

LETTER FROM THE INDEPENDENT EMINENCE FINANCIAL ADVISER

We are of the view that the valuation methodology and assumptions adopted by Colliers are appropriate, and enable a complete, fair and reasonable comparison of the relative values of the principal properties.

(iii) Basis of the Eminence Sale Consideration

As advised by Vigers, the valuation of HK\$1,170,000,000 is arrived on the assumption that the proposed development has been newly completed as at the date of valuation. The Eminence Sale Consideration is HK\$1,035,000,000 which represents approximately HK\$135,000,000 difference to the valuation made by Vigers. If Eminence has to complete and bring the Inverness Road Property to sell in the market, Eminence would have to further outlay the expenses including but not limited to (i) the outstanding construction costs; (ii) consultant costs; (iii) finance costs of bank loan; and (iv) cost of marketing and other legal expenses.

By the disposal of the Eminence Sale Company and related Shareholder Loan, Eminence will be able to save the abovementioned expenses and would not take the risk of any possible downward trend of the residential property market.

We have reviewed the schedule and relevant supporting of expenses provided by Eminence and discussed with the management of Eminence about the basis and reasonableness of the Eminence Sale Consideration. We have given the understanding that the Eminence Sale Consideration is with reference to the valuation made by Vigers adjusted by the amount of Eminence to be incurred to complete and bring the Inverness Road Property to sell in the market.

In view of (i) the future residential property market in Hong Kong remains uncertain and the supply-demand gap is expected to narrow in longer term; (ii) the basis of the Eminence Sale Consideration is with reference to the valuation made by Vigers adjusted by the amount of Eminence to be incurred to bring the Inverness Road Property to sell in the market; (iii) Eminence will be able to save the expenses to be incurred to bring the Inverness Road Property to sell in the market which costs may be higher than original estimation (such as (a) any unexpected variation orders required for the completion of construction and any relevant increase in consultation costs; (b) any increase in bank loan interests resulting from the increase in Hong Kong Interbank Offered Rate and delay in completion schedule; and (c) any increase in marketing expenses for the sale of the Inverness Road Property given the current residential market sentiment); (iv) Eminence will be able to obtain cash from Easyknit to develop its remaining and coming projects, we are of the view that the Eminence Sale Consideration is fair and reasonable so far as Eminence and its Shareholders are concerned.

(iv) Our view

In view of (i) the reasonableness of the considerations with reference to Valuation Report 1 and Valuation Report 2 (“**Valuation Reports**”); (ii) the increase in the consolidated net assets of the Post-Swap Eminence Group from approximately HK\$2,631.5 million before the VSA and the VSD to approximately HK\$2,856.6 million

LETTER FROM THE INDEPENDENT EMINENCE FINANCIAL ADVISER

upon Completion as set out in the unaudited pro-forma financial information of the Post-Swap Eminence Group; and (iii) the significant increase in the profit for the year attributable to owners of the Post-Swap Eminence Group from approximately HK\$53.5 million to approximately HK\$564.3 million due to the gain on disposal of approximately HK\$456.9 million as set out in the unaudited pro-forma financial information of the Post-Swap Eminence Group; we are of the view that the considerations of the Swap Agreements are fair and reasonable after the considering the abovementioned factors.

5. Possible financial effects of the VSA and the VSD

Upon Completion, Easyknit Sale Company will cease to be a subsidiary of Easyknit and will become a subsidiary of Eminence; whereas the Eminence Sale Company will cease to be a subsidiary of Eminence and will become a subsidiary of Easyknit.

The unaudited pro forma statement of assets and liabilities of the Post Swap Eminence Group as included in Appendix VIII to the Circular has been prepared by the Eminence Directors for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Post-Swap Eminence Group.

Effect on revenue and earnings

As extracted from the 2018 Annual Report, the revenue and profit for the year attributable to owners of Eminence Group amounted to approximately HK\$49.6 million and HK\$53.5 million, respectively. According to the pro forma information of the Eminence Group, details of which are set out in Appendix VIII, the unaudited revenue and profit for the year attributable to owners of the Post-Swap Eminence Group would be approximately HK\$62.7 million and HK\$564.3 million respectively as if the Swap Agreement had taken place on 1 April 2017. Such increase in the profit for the year was mainly attributable to the gain on disposal of approximately HK\$456.9 million.

Effect on financial positions

As extracted from the 2018 Interim Report, the audited consolidated total assets and total liabilities of the Eminence Group were approximately HK\$4,375.3 million and HK\$1,743.8 million as at 30 September 2018 respectively. According to the pro forma information of the Eminence Group, details of which are set out in Appendix VIII the unaudited consolidated total assets and total liabilities of the Post-Swap Eminence Group would be approximately HK\$4,215.4 million and HK\$1,358.8 million respectively if the Swap Agreement had been completed on 30 September 2018. As a result of the foregoing, we are advised by Eminence Group that the consolidated net assets of the Post-Swap Eminence Group will increase from approximately HK\$2,631.5 million before the VSA and the VSD to approximately HK\$2,856.6 million upon Completion.

LETTER FROM THE INDEPENDENT EMINENCE FINANCIAL ADVISER

Effect on liquidity and gearing ratio

As extracted from the 2018 Interim Report, the audited bank balances and cash of the Eminence Group as at 30 September 2018 amounted to approximately HK\$123.1 million. According to the pro forma information, the unaudited consolidated bank balances and cash of the Post-Swap Eminence Group would be increased to approximately HK\$491.7 million as if the Swap Agreement had taken place. As at 30 September 2018, the gearing ratio of the Eminence Group (i.e. interest-bearing borrowings divided by total equity) was approximately 0.12. According to the pro forma information, the gearing ratio of the Post-Swap Eminence Group would decrease to approximately 0.11 as if the Swap Agreement had taken place. It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position/results of the Eminence Group will be upon Completion.

Recommendation

Having taken into account the above-mentioned principal factors and reasons, we are of the view that both the VSA and VSD are in the ordinary and usual course of the business of the Eminence Group and in the interests of Eminence and the Eminence Shareholders as a whole, and the terms of the transactions are on normal commercial terms and fair and reasonable so far as the Independent Eminence Shareholders are concerned. Accordingly, we recommend the Independent Eminence Shareholders, as well as the Eminence IBC to advise the Independent Eminence Shareholders, to vote in favour of the relevant resolution to be proposed at the Eminence SGM to approve the Swap Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Robert Siu
Managing Director

Note: Mr. Robert Siu is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 20 years of experience in corporate finance industry.



EMINENCE ENTERPRISE LIMITED

高山企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

12 February 2018

To the Independent Eminence Shareholders,

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION, VERY SUBSTANTIAL DISPOSAL
– CONNECTED PARTY TRANSACTION**

We have been appointed by the Eminence Directors to form the Eminence IBC to advise you in relation to the Swap Agreements and the transactions contemplated thereunder as fair and reasonable and in the interests of Eminence and the Eminence Shareholders as a whole. Red Sun Capital Limited has been appointed as the Independent Eminence Financial Adviser to advise the Independent Eminence Shareholders and the Eminence IBC in this regard.

We wish to draw your attention to the letter from the Eminence Directors as set out on pages 19 to 32 of this circular and the letter from Red Sun Capital Limited as set out on pages 33 to 50 of this circular which contains its opinion and recommendations in respect of the Swap Agreements and the transactions contemplated thereunder. Your attention is also drawn to the additional information set out in the appendices to this circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of, Red Sun Capital Limited as stated in its aforementioned letter, we are of the opinion that the Swap Agreements and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable and in the interests of Eminence and the Eminence Shareholders as a whole. We therefore recommend the Independent Eminence Shareholders to vote in favor of the resolutions to approve the Swap Agreements and the transactions contemplated thereunder at the Eminence SGM.

Capitalized terms used in this letter shall have the same meanings as defined in this circular dated 12 February 2019 unless the context otherwise required.

Yours faithfully,
For and on behalf of
the Eminence IBC

Kan Ka Hon

Lau Sin Ming

Foo Tak Ching

Wu Koon Yin Welly

Independent non-executive directors

APPENDIX I INVERNESS ROAD PROPERTY VALUATION REPORT

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Vigers Appraisal and Consulting Limited, an independent professional valuer, in connection with the valuation of the Property to be acquired and disposed by the Easyknit and Eminence as at 14 November 2018.

Vigers Appraisal and Consulting Limited

International Property Consultants

27/F Standard Chartered Tower,

Millennium City 1, 388 Kwun Tong Road, Kowloon, Hong Kong

Tel.: (852) 6651-5330 Fax: (852) 2951-0733 Email: gp@vigers.com

www.vigers.com



12 February 2019

The Board of Directors

Easyknit International Holdings Limited

Block A, 7th Floor, Hong Kong Spinners Industrial Building Phase 6,

Nos. 481-483 Castle Peak Road,

Cheung Sha Wan, Kowloon, Hong Kong

The Board of Directors

Eminence Enterprise Limited

Block A, 7th Floor, Hong Kong Spinners Industrial Building Phase 6,

Nos. 481-483 Castle Peak Road,

Cheung Sha Wan, Kowloon, Hong Kong

Dear Sirs,

In accordance with recent joint instruction for us to value the Property to be acquired by an indirect wholly owned subsidiary of “Easyknit International Holdings Limited” and to be disposed by an indirect wholly owned subsidiary of “Eminence Enterprise Limited” (collectively referred to as “the Easyknit and Eminence”), we confirm that we have inspected the Property, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing our opinion of value of the Property as at 14th November 2018 (the “Valuation Date”).

BASIS OF VALUE

Our valuation is our opinion of gross development value of the Property which is defined as intended to mean “the market value of the property assuming the proposed development has been newly completed as at the Date of Valuation pursuant to the prevailing development control parameters under the relevant regulatory frameworks as well as the latest hypothetical development proposal made available to us” Our valuation has been prepared in accordance with “The HKIS Valuation Standards (2017 Edition)” published by “The Hong Kong Institute of Surveyors” (“HKIS”), “RICS Valuation – Global Standards 2017” published by the “Royal Institution of Chartered Surveyors” (“RICS”), relevant

APPENDIX I INVERNESS ROAD PROPERTY VALUATION REPORT

provisions in the Companies Ordinance and the “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited” (Main Board) published by “The Stock Exchange of Hong Kong Limited” (“HKEx”).

VALUATION APPROACH

In course of the assessment of gross development value of the Property, we have adopted the market approach which provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. We have adopted the direct comparison method of valuation whereby comparisons based on actual sales transactions of comparable properties have been made. Comparable properties with similar character, location and so on are analysed and carefully weighed against all respective advantages and disadvantages of the Property in order to arrive at the fair comparison of value.

TITLE INVESTIGATIONS

We have conducted land searches at the Land Registry but we have not searched the original documents to ascertain ownership nor to verify any lease amendments which may not appear on the copies handed to us. All documents have been used for reference purposes and all dimensions, measurements and areas are therefore approximations.

VALUATION CONSIDERATION

On-site inspection to the Property was carried out by Mr. Jeff M.C. LIU *BSc (Hons)* on 29th November 2018. But we must stress that we have not carried out any structural survey nor have we inspected the woodwork or other parts of the structures of the Property which was covered, unexposed or inaccessible to us. We are therefore unable to report whether such part of the Property is free from any structural or non-structural defect.

Having examined all relevant documents, we have relied to a considerable extent on the information given by the Easyknit and Eminence, particularly planning approvals or statutory notices, easements, land-use rights, site areas, floor areas, occupancy status and in the identification of the Property.

Unless otherwise stated, all dimensions, measurements and areas included in the valuation report are based on the information contained in the documents provided to us by the Easyknit and Eminence and are therefore approximations. We have had no reason to doubt the truth and accuracy of the information made available to us and we have been advised by the Easyknit and Eminence that no material facts have been omitted from the information so given.

APPENDIX I INVERNESS ROAD PROPERTY VALUATION REPORT

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the Property could be sold in the prevailing market in existing state but without the effect of any deferred term contract, leaseback, management agreement or any other similar arrangement which may serve to affect the value of the Property, unless otherwise noted or specified. In addition, no account has been taken into of any option or right of pre-emption concerning or affecting the sale of the Property.

In our valuation, we have assumed that the owner(s) of the Property has free and uninterrupted rights to use and assign the Property during the whole of the unexpired land lease term granted subject to the payment of usual Government Rent.

We had carried out on-site inspection to the Property but no soil investigation has been carried out to determine the suitability of ground condition or building services for any property development or to be erected on the Property. Our valuation has been carried out on the assumption that these aspects are satisfactory. In our valuation, we have also assumed that all necessary consents, approvals and licences from relevant government authorities have been or will have been granted for any property development erected or to be erected the Property.

Our Gross Development Value assessment of the Property is the value estimated without regard to costs of sale or purchase or transaction and without offset for any associated tax(es) or potential tax(es). Any transaction cost(s) or encumbrances such as mortgage, debenture or other charges against the Property has been disregarded. In our valuation, we have assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which may serve to affect the value of the Property.

Unless otherwise stated, all monetary amounts stated herein are denoted in the currency of Hong Kong Dollars ("HK\$"), the lawful currency of Hong Kong.

We enclose herewith the core content of our valuation report.

Yours faithfully,
For and on behalf of

VIGERS APPRAISAL AND CONSULTING LIMITED

David W. I. CHEUNG
MRICS MHKIS RPS(GP) CREA
RICS Registered Valuer
Executive Director

Eric W. L. TANG
MRICS
RICS Registered Valuer
Director

APPENDIX I INVERNESS ROAD PROPERTY VALUATION REPORT

Note: Mr. David W. I. Cheung is a Registered Professional Surveyor in General Practice Division with over 34 years' valuation experience on property in various regions including Hong Kong, Macao, the PRC, Japan, the United Kingdom, Canada and the United States of America, who has been vetted on the list of property valuers for undertaking valuations for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers published by The Hong Kong Institute of Surveyors, and is suitably qualified for undertaking valuations relating to listing exercises. Mr. Cheung has over 10-year of experience with Vigers Appraisal and Consulting Limited.

Mr. Eric W. L. Tang is a professional member of the Royal Institution of Chartered Surveyors with over 14 years' valuation experience on property in various regions including Hong Kong, Macao and the PRC. Mr. Tang has over 9-year of experience with Vigers Appraisal and Consulting Limited.

APPENDIX I INVERNESS ROAD PROPERTY VALUATION REPORT

Property to be acquired and disposed by the Easyknit and Eminence for sale

The Property	Description and Tenure	Occupancy Status	Gross Development Value as at the Valuation Date
Nos. 14-20 Inverness Road, Hong Kong (the "Property")	The property is situated on the west side of Inverness Road near its junction with Dumbarton Road in Kowloon Tong district of Kowloon.	According to the information provided by the Easyknit and Eminence, the Property is at its final stage of development, and will be completed in Q3 2019.	HK\$1,170,000,000 (HONG KONG DOLLARS ONE BILLION ONE HUNDRED SEVENTY MILLION ONLY)
All those parts or pieces of ground known and registered in the Land Registry as New Kowloon Inland Lot No. 6573	<p>Pursuant to the latest development scheme provided by the Easyknit and Eminence, the Property is being developed into two 8-storeys of residential blocks over a basement car park with a total saleable area of approximately 40,958 square feet (3,805.13 square metres). It is proposed to comprise 60 residential units offering a range of one and two bedrooms apartment, club house facilities as well as 29 car parking spaces and 3 motor parking spaces</p> <p>New Kowloon Inland Lot No. 6573 is held under Conditions of Exchange No. 20328 for a lease term of 50 years commencing on 22nd October 2018 and that a rent of three percents of the then Rateable Value is charged per annum from the commencing date.</p>		

Note:

1. Pursuant to our recent land search records, the current registered owner of the property TOTAL EXPECT LIMITED.
2. The Development is located on the western side of Inverness Road West near its junction with Dumbarton Road in Kowloon Tong district in Kowloon. The surrounding area is characterized by a mixture of medium-rise apartment buildings and high-rise residential developments which are mainly populated by the upper-middle and upper income groups. The accessibility is considered reasonable with public transportation such as buses, light buses and taxis well served. The proposed MTR To Kwa Wan Station will be located within 15 minutes' walk away from the Property.
3. The Property falls within an area zoned "Residential (Group) C) 9" on the Kowloon Tong Outline Zoning Plan No. S/K18/21 ("the Outline Zoning Plan") approved on 8th September 2015. According to the explanatory note attached to the Outline Zoning Plan, on the land designated "Residential (Group) C) 9", no new development, or addition, alternation and/or modification to or redevelopment of an existing building shall result in a total development and/or redevelopment of an existing building in excess of a maximum plot ratio of 3.0 and the maximum number of storeys of 8 or the plot ratio and height of the existing building, whichever is the greater. On land based designated for "Residential (Group C) 9", in determining the relevant maximum number of storeys, any basement floor(s) may be disregarded.

APPENDIX I INVERNESS ROAD PROPERTY VALUATION REPORT

4. Pursuant to proposed land exchange letter dated 5th July 2018 from Lands Department provided by the Easyknit and Eminence, the Property is subject to the following salient lease conditions.

User : Private Residential purpose

Total GFA : Not less than 2,592 square metres and not exceeding 4,320 square metres

Maximum no. of Storey : 8 storey excluding basement floor(s)

5. In our valuation of gross development value, we have compared the asset with identical or comparable (that is similar) assets for which price information is available. Comparable properties with similar character, location and so on are analysed and carefully weighed against all respective advantages and disadvantages of the Property in order to arrive at the fair comparison of value.

The unit rates of comparable transactions are in the range of about HK\$24,827 to HK\$36,677 per square foot for domestic units and in range of about HK\$2,100,000 to HK\$4,000,000 per car parking space for car parking portion. Our valuation falls within these ranges.

The following is the valuation report prepared for the purpose of the incorporation in this circular, received from Colliers International (Hong Kong) Limited, an independent valuer, in connection with its valuation as at 14 November 2018 of the property interests of Easyknit International Holdings Limited.

Colliers International (Hong Kong) Limited
Valuation & Advisory Services
Company Licence No: C-006052

Suite 5701 Central Plaza
18 Harbour Road Wanchai
Hong Kong



The Directors

Easyknit International Holdings Limited
7/F, Hong Kong Spinners Industrial Building, Phase 6
481-483 Castle Peak Road
Cheung Sha Wan
Kowloon, Hong Kong

12 February 2019

Dear Sir/Madam,

Re: Valuation of Easy Tower in Hong Kong (the “Property”)

INSTRUCTIONS

In accordance with the instructions for us to value the Property in which Easyknit International Holdings Limited (the “Client”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in Hong Kong, we confirm that we have carried out physical inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for providing you with our opinion of the Market Value of the leasehold interests of the Property in its existing state, as at 14 November 2018 (the “Valuation Date”) for public disclosure purposes dated 12 February 2019.

We hereby confirm that:

- We have no present or prospective interest in the Property and are not a related corporation of nor have a relationship with the Client or any other party or parties with whom the Client is contracting.
- We are authorised to practice as valuers and have the necessary expertise and experience in valuing similar types of properties.
- The valuation has been prepared on a fair and unbiased basis.

BASIS OF VALUATION

Our valuation of the Property represents the Market Value, which is defined by the HKIS as “the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION STANDARDS

The valuation is carried out in accordance with “The HKIS Valuation Standards (2017 Edition)” published by The Hong Kong Institute of Surveyors; and in compliance with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

VALUATION RATIONALE

In the course of our valuation, we have adopted Income Approach.

As the Property is subject to existing tenancies, we have adopted the Income Approach – the Term and Reversion Method. This valuation method estimates the value of properties or assets on a market basis by capitalizing net rental income on a fully leased basis. This method is used when a property or asset is leased out for a specific term(s). This technique considers both the current passing rental income from existing tenancies and the potential future reversionary income at market level, by capitalising both at appropriate rates. In calculating the net rental income for this purpose, deduction is made for outgoings such as property management fees, capital expenditure, vacancy loss, and other necessary expenses.

TITLE INVESTIGATIONS

We have not been provided with extracts from title documents relating to the Property but have conducted searches at the Land Registry. We have not, however, been provided with the original documents to verify the ownership, nor to ascertain the existence of any amendments which may not appear on our searches. We do not accept any liability for any interpretation which we have placed on such information, which is more properly in the sphere of your legal advisers.

SOURCES OF INFORMATION

We have relied to a considerable extent on the information provided by the Client on such matters as tenancy schedules, statutory notices, easements, tenure, floor areas, building plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Client that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable.

SITE MEASUREMENT

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Property but have assumed that the areas shown on the documents and plans provided to us are correct.

SITE INSPECTION

We have inspected the exteriors and the interiors of the Property. Our inspections of the Property was carried out by Stella Ho (MRICS and MHKIS) and Candy Tsang (MRICS), on 10 July 2018. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the Property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services. Our valuation has been prepared on the assumption that these aspects are satisfactory.

We are unaware of any adverse ground conditions affecting the Property and have not had sight of a ground and soil survey. We have not carried out investigations on site to determine the suitability of the ground conditions and services etc. for any future developments. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the development period. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

ASSUMPTIONS AND CAVEATS

Our valuation has been made on the assumption that the Property can be sold on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, or any similar arrangements which would affect its value.

No allowances has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxes which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

As the Property is held under long term leasehold interests, we have assumed that the owner has free and uninterrupted rights to use the Property for the whole of the unexpired terms of the leasehold interests.

In addition, we have made the following assumptions:

- All information on the Property provided by the Client is correct.

- Proper ownership titles of and relevant planning approvals for the Property have been obtained, all payable land premiums, land-use rights fees and other relevant fees have been fully settled and the Property can be freely transferred, sub-let, mortgaged or otherwise disposed of.
- The Property has been fully developed, and is occupied and used in full compliance with, and without contravention of, all ordinances and regulations except only where otherwise stated.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong dollars (HK\$).

Our valuation of the Property is set out on the Valuation Particulars attached hereto, which together with this covering letter, form our valuation report.

Yours faithfully,

For and on behalf of

Colliers International (Hong Kong) Limited

Stella Ho

BSSc (Hons) MSc MRICS MHKIS RPS (GP)

MCIREA Registered Real Estate Appraiser PRC

Director

Valuation & Advisory Services

Note: Stella Ho is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong Special Administrative Region, a Member of China Institute of Real Estate Appraisers and Agents and a Registered Real Estate Appraiser PRC. She is suitably qualified to carry out the valuation and has over 18 years of experience in the valuation of properties of this magnitude and nature in Hong Kong and China.

Encl.

VALUATION PARTICULARS

Property Interests held for investment by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 14 November 2018
Easy Tower, No. 609 Tai Nan West Street, Kowloon (the "Property")	The Property comprises the whole of the Lot with a total site area of about 6,121 sq ft (568.7 sq m) according to the registered assignment plans of the Lot.	As advised by the Client, majority of the Property was subject to various tenancies as of the valuation date, at a total monthly rent of HK\$1,038,741 exclusive of Government Rent, Rates and management fees. The remaining portion of the Property was vacant as of the valuation date.	HK\$460,000,000 HONG KONG DOLLARS FOUR HUNDRED AND SIXTY MILLION
New Kowloon Inland Lot No. 6238 (the "Lot")	<p>Erected on the lot is a 26-storey industrial-office building, known as Easy Tower.</p> <p>As per the Occupation Permit issued by the Building Authority, the Property was completed in 1998.</p> <p>According to the approved building plans, the total gross floor area of the Property is approximately 73,453 sq ft. (6,823.94 sq m).</p> <p>The Lot is held under Conditions of Exchange No.12507 for a term of 50 years commenced from 15 December 1997. A total annual Government Rent of an amount equal to 3% of the rateable value, which is currently HK\$13,200,000, is payable for the Lot.</p>		

Notes:

1. The registered owner of the Property is Wellmake Investments Limited registered vide Conditions of Exchange No.12507 of NKIL 6238 dated 15 December 1997.
2. As of the valuation date, the Property is subject to the following encumbrances:
 - a) Undertaking by The Hongkong And Shanghai Banking Corporation Ltd. in favour of The Government of The Hong Kong Special Administrative Region and The Director of Lands registered vide Memorial No. UB7514676 dated 18 June 1988;
 - b) Certificate of Compliance from District Lands Office, Kowloon West, Lands Department registered vide Memorial No. UB7677254 dated 29 January 1999;
 - c) Occupation Permit No. NK36/98 registered vide Memorial No. UB7685205 dated 12 November 1998;
 - d) Legal Charge in favour of Wing Hang Bank Limited for a consideration of All Moneys registered vide Memorial No. 13061801430072 dated 10 June 2013; and

- e) Rental Assignment in favour of Wing Hang Bank Limited registered vide Memorial No. 13061801430083 dated 10 June 2013.
3. The Property is subject to the following lease restrictions under the Conditions of Exchange No. 12507.
- (Restriction 1) “The Lot or any part thereof or any building or part of any building erected or to be erected thereon shall not be used for any purpose other than (a) industrial or godown or both; (b) offices ancillary and directly related to an industrial (or godown) operation; (c) or any combination of sub-clauses (a) and (b)... Excluding any trade that is now or may hereafter be declared to be an offensive trade under the Public Health and Municipal Services Ordinance, or any enactment amending the same or substituted thereof.”
- (Restriction 2) “No building or buildings shall be erected on the lot except a factory or factories or a godown or godowns, offices ancillary and directly related to an industrial (or godown) operation or any combination thereof, and such canteen and other welfare facilities (but excluding residential quarters)... for workmen employed on the lot...”
- (Restriction 3) “the total gross floor area of any building or buildings erected or to be erected on the lot shall not exceed 6,824 square meters.”
4. The Property falls within an area zoned as “Other Specified Uses (Business (1))” under the Approved Cheung Sha Wan Outline Zoning Plan No. S/K5/37 gazetted on 16 December 2016.

APPENDIX III FINANCIAL INFORMATION OF THE EASYKNIT GROUP

In this Appendix, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of directors of the Company
“Company”	Easyknit International Holdings Limited (永義國際集團有限公司), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 1218)
“Group”	the Company and its subsidiaries

1. FINANCIAL SUMMARY OF EASYKNIT GROUP

Here below are extracts from published interim and annual reports showing the financial information of the Easyknit Group. The reports can be viewed at the following internet addresses:

For the 6 months ended	Publication of interim report	Pages
30 September 2018	21 December 2018	24-100
http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/1221/LTN20181221403.pdf		
For the year ended	Publication of annual report	Pages
31 March 2018	29 June 2018	81-194
http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0525/LTN20180525772.pdf		
31 March 2017	29 June 2017	69-173
http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0629/LTN20170629279.pdf		
31 March 2016	25 July 2016	60-161
http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0725/LTN20160725123.pdf		

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account its available financial resources, in the absence of unforeseen circumstances, the Easyknit Group has sufficient working capital for its requirements for the next 12 months from the date of this circular.

3. INDEBTEDNESS

As at 30 November 2018, the Group had outstanding bank borrowings of approximately HK\$998 million, which were guaranteed by the Company and were secured by certain properties of the Group. The bank borrowings are secured by leasehold properties, investment properties, properties held for development for sale, properties held for sale, deposit and prepayments for a life insurance policy of the Group with carrying amounts of approximately HK\$75 million, HK\$1,665 million, HK\$415 million, HK\$91 million and HK\$11 million respectively at 30 November 2018.

Apart from as disclosed above and intra-group liabilities, the Easyknit Group did not have any debt securities authorised or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guaranteed, unguaranteed, secured and unsecured borrowing and debt, or other material contingent liabilities as at 30 November 2018.

4. FINANCIAL AND TRADING PROSPECTS OF THE EASYKNIT GROUP

As mentioned in the annual report of Easyknit for the year ended 31 March 2018, the Easyknit Group intends to continue the investment in properties located in Hong Kong and improve the mix of the portfolio for the property investment to enhance returns on investment. This may include carrying out renovation and refurbishment of the Easyknit Group's investment properties to enhance yields. With regards to the Easyknit Group's securities business, the Easyknit Group intends to continuously diversify its investment portfolio to manage risks and return. The Easyknit Group intends to expand its loan financing business by broadening the customer base and loan types to cater to different needs and repayment preferences of various segments of potential customers.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change to the financial or trading position of the Easyknit Group since 31 March 2018, being the date to which the latest published audited consolidated accounts of Easyknit were made up, up to and including the Latest Practicable Date.

6. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the Easyknit Group for each of the three financial years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2018.

For the year ended 31 March 2016

BUSINESS REVIEW

A. Continuing Operations

During the year, the Group was principally engaged in the property investment, property development, securities investment and money lending business.

(i) Property Investment

The Group has investment properties in Hong Kong only.

Turnover of the Group's property rental for the year was HK\$55,007,000 (2015: HK\$54,943,000), a slight increase of approximately HK\$64,000 or 0.1% over the last year. The Group's investment properties comprise residential, commercial and industrial properties.

As at 31 March 2016, the Group's commercial and residential investment properties were 100% leased out. The industrial investment properties in Hong Kong continued to maintain a high occupancy rate of 89.7%. The property management fee income was HK\$881,000 (2015: HK\$721,000).

(ii) Property Development

A residential project, namely PAXTON, at No. 311-313 Prince Edward Road West, Kowloon, Hong Kong which offers about 49 units of 74,285 square feet gross floor area was formally launched in July 2014. For the year under review, the total revenue derived from the property sales of PAXTON was HK\$599,484,000 (2015: HK\$394,448,000).

The foundation works on the redevelopment of Project 301 at the site of Nos. 301, 301AC Prince Edward Road West, Kowloon, Hong Kong has been completed in February 2016; and it is expected to be launched in the year 2017.

(iii) Securities Investment

The Group maintains a security portfolio with a strategy of diversification to reduce effects of price fluctuations of any single securities.

For the year ended 31 March 2016, the Group held trading securities in the amount of HK\$64,695,000 as compared to HK\$325,435,000 as at 31 March 2015, representing a 80.1% decrease. It was derived from: (1) the disposal of trading securities during the year which had a cost or fair value as at 31 March 2015 of HK\$240,350,000; and (2) purchase of trading securities of HK\$74,396,000 during the year; and (3) on deemed disposal of subsidiaries of HK\$132,373,000; and (4) net increase in market value in the amount of HK\$37,587,000 of the trading securities.

APPENDIX III FINANCIAL INFORMATION OF THE EASYKNIT GROUP

From continuing operations, the Group recognised (1) gain on fair value changes of trading securities for the year of HK\$27,604,000 (2015: HK\$74,248,000); (2) loss of HK\$38,504,000 (2015: nil) on fair value changes of financial assets designated at fair value through profit or loss; and (3) gain of HK\$57,915,000 (2015: nil) on disposal of available-for-sale investments. This segment recorded a profit of HK\$70,328,000 (2015: HK\$82,720,000).

B. Discontinued operations

Eminence Enterprise Limited

With effect from 12 June 2015, the financial results of this business segment was classified as the discontinued operation because Eminence Enterprise Limited (“Eminence”, formerly known as Easyknit Enterprises Holdings Limited) was changed from a subsidiary to an associate of the Company due to the deemed disposal of the Group’s effective interests from 40.96% to 34.41% in Eminence. The deemed disposal of interests is caused by the issuing of a convertible note by Eminence to an independent third party.

During the year, the turnover of this business segment contributed to the Group amounted to HK\$14,858,000 (2015: HK\$192,490,000) and recorded the loss of HK\$510,376,000 (2015: profit of HK\$32,512,000) from the discontinued operation.

APPENDIX III FINANCIAL INFORMATION OF THE EASYKNIT GROUP

FINANCIAL REVIEW

	Year ended 31 March		
	2016	2015	Change
	HK\$'000	HK\$'000	HK\$'000
Continuing Operations			
Turnover	678,516	456,985	221,531
Gross profit	286,234	201,973	84,261
Gross profit margin	42.2%	44.2%	(2.0%)
Distribution and selling expenses	(82,819)	(39,560)	(43,259)
Administrative expenses	(58,905)	(33,239)	(25,666)
Finance costs	(23,815)	(39,932)	16,117
Profit before taxation	707,344	207,024	500,320
Taxation charge	(32,326)	(16,930)	(15,396)
Profit for the year from continuing operations	675,018	190,094	484,924
(Loss) profit for the year from discontinued operations	(510,376)	32,512	(542,888)
Net profit for the year from continuing and discontinued operations	164,642	222,606	(57,964)
Net profit margin	24.3%	48.7%	(24.4%)
Earnings per share			
Basic	HK\$1.75	HK\$2.55	(HK\$0.80)

Revenue

Group revenue from continuing operations for the year ended 31 March 2016 increased by 48.5% to HK\$678,516,000 compared with last year. The increase in revenue was primarily generated from the sale of Paxton units.

Gross Profit/Margin

Gross profit for this year was HK\$286,234,000, an increase of HK\$84,261,000 or 41.7% compared to the HK\$201,973,000 in last year. Gross profit margin for this year also decreased from 44.2% to 42.2%.

Profit before Taxation

Profit before taxation for the year ended 31 March 2016 was HK\$707,344,000, as compared with last year of HK\$207,024,000. It was mainly due to the share of results of associates of HK\$559,147,000.

APPENDIX III FINANCIAL INFORMATION OF THE EASYKNIT GROUP

Selling and distribution costs increased from HK\$39,560,000 to HK\$82,819,000, an increase of 109.4% compared with the last year. It was mainly attributable to the increase of sale of PAXTON.

Administrative expenses were HK\$58,905,000, an increase of 77.2% over last year of HK\$33,239,000.

During the year under review, there was loss on changes in fair value of investment properties to HK\$33,238,000 for Hong Kong investment properties.

Finance costs was HK\$23,815,000, decreased by HK\$16,117,000 or 40.4% for the year from HK\$39,932,000 in 2015 due to the reduction of bank borrowings during the year.

Profit Attributable to Shareholders and Earnings per Share

Profit for the year from continuing and discontinued operations of the Company for the year ended 31 March 2016 was HK\$164,642,000, a decrease of HK\$57,964,000 or 26.0% as compared to last year. Net profit margin is decreased from 48.7% to 24.3%.

Taxation charge increased 90.9% to HK\$32,326,000 from last year of HK\$16,930,000.

Basic earnings per share from continuing and discontinued operations for the year 31 March 2016 was HK\$1.75 as compared to HK\$2.55 in last year.

Liquidity and Financial Resources

The Group financed its operation through internally generated cash flow and bank borrowings. As at 31 March 2016, the Group's bank borrowings amounted to HK\$902,021,000 (2015: HK\$1,537,826,000). The gearing ratio of the Group, calculated as a ratio of total borrowings to total equity, for the year was 0.29 (2015: 0.39).

As at 31 March 2016, the Group has net current assets of HK\$713,897,000 (2015: HK\$1,587,915,000). Current ratio was 3.0 (2015: 2.5). The bank balances and cash as at 31 March 2016 was HK\$12,332,000 (2015: HK\$378,520,000).

Capital Structure

During the year, there was no change to the share capital of the Company. As at 31 March 2016, the total number of issued ordinary shares of the Company was 79,420,403 shares.

Charge on Group Assets

As at 31 March 2016, bank loans amounting to HK\$902,021,000 (2015: HK\$1,537,826,000) were secured by investment properties, properties held for development for sale, properties held for sale and deposit and prepayments for a life insurance policy of the Group having a net book value of HK\$2,183,285,000 (2015: HK\$3,229,175,000).

Exposure on Foreign Exchange Fluctuations

Most of the Group's revenues and payments are in Hong Kong dollars, US Dollars and Singapore dollars. During the year, the Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed. The directors considered the risk of exposure to the currency fluctuation to be minimal.

Material Acquisitions and Disposals***Interest in Eminence******(i) Deemed Disposal of Interests in Eminence***

Upon the completion of issuing a convertible note in a principal amount of HK\$86,000,000 to an independent party by Eminence on 12 June 2015, the Group's effective interest in Eminence, assuming the full conversion of convertible note by convertible noteholder, was diluted from approximately 40.96% to 34.41%. Therefore, it was treated as a deemed disposal of the interests in Eminence by the Group, and Eminence became an associate of the Company.

(ii) Subscriptions of Rights Shares of Eminence

During the year, the Group has undertaken to Eminence and the underwriter on the subscription of the rights shares of Eminence for a total of 435,553,040 rights shares which were allotted and taken up in full on 3 November 2015, the subscription cost amounted to approximately HK\$209,065,500.

The Group did not apply any excess rights shares in the above rights issue.

As at the date of this report, the Company, through its wholly-owned subsidiaries, Landmark Profits Limited and Goodco Development Limited, is interested in 457,330,692 shares of Eminence, representing approximately 40.96% of the issued share capital of Eminence.

Disposal of Properties Group

On 6 August 2015, Eminence and Easyknit Properties Holdings Limited, a wholly-owned subsidiary of the Company, entered into 4 sets of sale and purchase agreements in relation to the purchase of all the issued shares and sale loan of the

APPENDIX III FINANCIAL INFORMATION OF THE EASYKNIT GROUP

properties group at a total consideration of HK\$240 million. The disposal has been completed on 11 November 2015. The properties group has 11 properties comprises 6 residential units (3 units in Hong Kong and 3 units in Singapore) and 5 industrial units.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or associated companies during the year.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2016 (2015: nil).

Capital Expenditure

During the year under review, the Group spent approximately HK\$3,091,000 (2015: HK\$624,000) on the acquisition of property, plant and equipment, and spent approximately HK\$119,000 (2015: HK\$293,655,000) on addition of investment properties.

Capital Commitments

As at 31 March 2015, the Group had capital commitments in respect of capital expenditure contracted for but not provided of HK\$8,669,000.

EMPLOYEES

As at 31 March 2016, the Group had a total of 23 employees (2015: 57 employees). Staff costs (including directors' emoluments) amounted to HK\$37,304,000 for the year under review (2015: HK\$31,394,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees. The Group has a share option scheme to motivate employees.

EVENT AFTER THE END OF THE REPORTING PERIOD

The Group, through its wholly-owned subsidiary, purchased 2 equity linked notes of Ping An Insurance (Group) Co. of China Limited, for an aggregate principal amount of HK\$79,000,000 on 3 May 2016 and 5 May 2016. Details of this transaction was published on the Company's announcement dated 11 May 2016.

PROSPECTS

The China economy had been grown at a slower rate than the government target of 7% in 2015, the continuous sliding of the Chinese and Hong Kong stock markets in the past months, the financial uncertainties about the pace of increase in interest rate in the United States and the instabilities in the European economy, which are expected to cloud the global economic outlook. As Hong Kong's economic performance hinges on global economic and financial conditions, these uncertain factors may affect property

market sentiment in the months ahead. However, we expect the market to remain buoyant with more projects coming onto the market at competitive pricing levels and strong end user demand driving sales.

The Group will continue to closely monitor market changes and proactively refine its sales and pricing strategies of PAXTON according to the market conditions. It will adopt specific measures to speed up the sales of inventories and cash inflows. Meanwhile, it will accelerate the development pace and strive to swiftly destock saleable resources in order to enhance its competitiveness in the market.

In addition, the Group will continue to adhere to its principle of steady development and endeavor to improve the development of existing projects so as to increase the asset turnover rate. Meanwhile, the Group strives to improve the debt structure, adjust the projects' management system in respect of management models and construction cost in order to enhance the profitability of the Group.

According to the Hong Kong 2016/2017 budget, the forecasted GDP growth rate for 2016 is one to two percent, which is lower than the growth rate of 2015. Looking forward for the growth of the money lending business, the Group shall seize business opportunities on the increasing demand for mortgage loans and expand its loan portfolio. The Group is confident about the future performance of its property mortgage loan portfolio, interest income and profit; and it believes that it will generate stable returns to its shareholders in the foreseeable future.

To keep profitable in the securities investment business, the Company reviews the performance of its existing investment portfolio and evaluating the investment potentials of other investment opportunities available to the Company. The Company shall make suitable investment decisions which broadens and diversifies its investment portfolio with a view of realizing and/or optimizing the expected return and minimizing the risks.

For the year ended 31 March 2017

BUSINESS REVIEW

During the year, the Group was principally engaged in the property investment, property development, securities investment and loan financing business.

(i) Property Investment

The Group has investment properties in Hong Kong only.

Revenue of the Group's property rental for the year was HK\$51,664,000 (2016: HK\$55,007,000), a decrease of approximately HK\$3,343,000 or 6.1% over the last year. The Group's investment properties comprise residential, commercial and industrial properties.

As at 31 March 2017, the Group's commercial and residential investment properties were 100% leased out. The industrial investment properties in Hong Kong continued to maintain a high occupancy rate of 88.8%. The property management fee income was HK\$834,000 (2016: HK\$881,000).

(ii) Property Development

A residential project, namely Paxton, at No. 311– 313 Prince Edward Road West, Kowloon, Hong Kong which offers about 49 units of 74,285 square feet gross floor area was launched in July 2014. For the year under review, the total revenue derived from the property sales of Paxton was HK\$456,601,000 (2016: HK\$599,484,000).

Another residential development project known as No. 6 La Salle Road, Kowloon, Hong Kong, which is expected to be launched in late 2017.

(iii) Securities Investment

The Group maintains a securities portfolio with a strategy of diversification to reduce effects of price fluctuations of any single securities.

For the year ended 31 March 2017, the Group held trading securities in the amount of HK\$287,493,000 as compared to HK\$64,695,000 as at 31 March 2016, representing an 344.4% increase. It was derived from (1) the disposal of trading securities during the year which had a cost or fair value as at 31 March 2017 of HK\$40,314,000; (2) purchase of trading securities of HK\$274,436,000 during the year; and (3) net decrease in market value in the amount of HK\$11,324,000 of the trading securities.

From continuing operations, the Group recognised (1) loss on fair value changes of trading securities for the year of HK\$8,773,000 (2016: gain of HK\$27,604,000); (2) loss of HK\$2,328,000 (2016: HK\$38,504,000) on fair value changes of financial assets designated at fair value through profit or loss; and (3) gain of HK\$43,989,000 (2016: HK\$57,915,000) on disposal of available-for-sale investments. This segment recorded a profit of HK\$50,921,000 (2016: HK\$70,328,000).

(iv) Loan Financing

For the year ended 31 March 2017, this segment recorded a revenue of HK\$20,376,000 (2016: HK\$23,144,000) representing 12.0% decrease comparing with the year 2016.

APPENDIX III FINANCIAL INFORMATION OF THE EASYKNIT GROUP

FINANCIAL REVIEW

	Year ended 31 March		
	2017 HK\$'000	2016 HK\$'000	Change HK\$'000
Continuing Operations			
Revenue	529,475	678,516	(149,041)
Gross profit	233,184	286,234	(53,050)
Gross profit margin	44.0%	42.2%	1.8%
Distribution and selling expenses	(64,829)	(82,819)	17,990
Administrative expenses	(52,485)	(58,905)	6,420
Finance costs	(17,203)	(23,815)	6,612
(Loss) profit before taxation	(219,885)	707,344	(927,229)
Taxation charge	(23,961)	(32,326)	8,365
(Loss) profit for the year from continuing operations	(243,846)	675,018	(918,864)
Loss for the year from discontinued operations	–	(510,376)	510,376
(Loss) profit for the year from continuing and discontinued operations	(243,846)	164,642	(408,488)
Net (loss) profit margin	(46.1%)	24.3%	(70.4%)
(Loss) earnings per share			
Basic and diluted	(HK\$3.07)	HK\$1.75	(HK\$4.82)
Revenue			

The Group revenue from continuing operations for the year ended 31 March 2017 decreased by 22.0% to HK\$529,475,000 compared with last year. Such decrease in revenue was mainly because most of the sale of Paxton units have been recorded in the last financial year.

Gross Profit/Margin

Gross profit for this year was HK\$233,184,000, a decrease of HK\$53,050,000 or 18.5% compared to HK\$286,234,000 in last year. Gross profit margin for this year increased from 42.2% to 44.0%.

Loss before Taxation

Loss before taxation for the year ended 31 March 2017 was HK\$219,885,000, as compared with last year profit of HK\$707,344,000. It was mainly due to the results attributable to deemed disposal of interests in associates of HK\$371,364,000.

Distribution and selling expenses decreased from HK\$82,819,000 to HK\$64,829,000, a decrease of 21.7% compared with the last year. It was mainly attributable to the decrease of sale of Paxton.

Administrative expenses were HK\$52,485,000, a decrease of 10.9% over last year of HK\$58,905,000.

During the year under review, there was gain on changes in fair value of investment properties amounting to HK\$21,877,000 for Hong Kong.

Finance costs was HK\$17,203,000, decreased by HK\$6,612,000 or 27.8% for the year from HK\$23,815,000 in 2016 due to the reduction of bank borrowings during the year.

Loss/Profit Attributable to Owners of the Company and Loss/Earnings per Share

Loss for the year from continuing and discontinued operations of the Company for the year ended 31 March 2017 was HK\$243,846,000 (2016: profit of HK\$164,642,000). Net loss margin of this year is 46.1% as compared to the net profit margin of 24.3% of last year.

Taxation charge decreased by 25.9% to HK\$23,961,000 from last year of HK\$32,326,000.

Basic and diluted loss per share from continuing and discontinued operations for the year 31 March 2017 was HK\$3.07 as compared to basic and diluted earnings per share HK\$1.75 in last year.

Liquidity and Financial Resources

The Group financed its operation through internally generated cash flow and bank borrowings. As at 31 March 2017, the Group's bank borrowings amounted to HK\$899,482,000 (2016: HK\$902,021,000). The gearing ratio of the Group, calculated as a ratio of total borrowings to total equity, for the year was 0.32 (2016: 0.29).

As at 31 March 2017, the Group has net current assets of HK\$1,058,122,000 (2016: HK\$713,897,000). Current ratio was 3.8 (2016: 3.0). The bank balances and cash as at 31 March 2017 was HK\$25,473,000 (2016: HK\$12,332,000).

Capital Structure

During the year, there was no change to the share capital of the Company. As at 31 March 2017, the total number of issued ordinary shares of the Company was 79,420,403 shares.

Charge on Group Assets

As at 31 March 2017, bank loans amounting to HK\$899,482,000 (2016: HK\$902,021,000) were secured by investment properties, properties held for development for sale, properties held for sale, deposit and prepayments for a life insurance policy and financial assets designated as at fair value through profit or loss of the Group having a net book value of HK\$2,160,596,000 (2016: HK\$2,183,285,000).

Exposure on Foreign Exchange Fluctuations

Most of the Group's revenues and payments are in Hong Kong dollars. During the year, the Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed. The directors considered the risk of exposure to the currency fluctuation to be minimal.

Material Acquisitions and Disposals

The Group had no material acquisitions or disposals of subsidiaries or associated companies during the year.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2017 (2016: nil).

Capital Expenditure

During the year under review, the Group spent approximately HK\$7,636,000 (2016: approximately HK\$3,091,000) on the acquisition of property, plant and equipment, and spent approximately HK\$30,000 (2016: approximately HK\$119,000) on addition of investment properties.

Capital Commitments

As at 31 March 2017, the Group had capital commitments in respect of capital expenditure contracted for but not provided of HK\$621,000.

EMPLOYEES

As at 31 March 2017, the Group had a total of 35 employees (2016: 23 employees). Staff costs (including directors' emoluments) amounted to HK\$32,628,000 for the year under review (2016: HK\$37,304,000). The Group remunerates its

employees based on their performance, experience and prevailing industry practice. The Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees. The Group has a share option scheme to motivate employees.

PROSPECTS

The Group will continue focus its efforts on the development of its existing principal businesses: (1) property investment; (2) property development; (3) securities investment; and (4) loan financing services and other potential projects with a view to providing steady returns as well as fruitful growth for the Shareholders.

In Hong Kong, despite additional measures imposed by the government to cool the housing market, the impact on the property market was only shortlived. With the prevailing low interest rates and the record high transacted land prices in the recent land auctions, sentiment in the primary property market has been holding up well, with home buyers' confidence remaining generally strong. In view of favourable market sentiment, the Group will continue to promote the sale of the remaining units of Paxton and it expects the launch of the presale of its residential property development at the site of No. 6 La Salle Road, Kowloon, Hong Kong in late 2017.

For the year ended 31 March 2018

BUSINESS REVIEW

For the year ended 31 March 2018, the Group's revenue amounted to HK\$331,521,000 (2017: HK\$529,475,000), representing a decrease of HK\$197,954,000 or approximately 37.4% as compared to last year. There was a profit for the year attributable to the Company's owners of HK\$297,163,000, as compared to a loss of HK\$243,846,000 last year. The profit during the year was mainly due to the gain on changes in fair value of investment properties amounting to HK\$159,475,000 and the results attributable to interests in associates amounting to HK\$40,993,000.

The basic and diluted earnings per share amounted to HK\$3.74 for the year ended 31 March 2018, as compared with loss per share of HK\$3.07 for the corresponding period last year. The review of each business segment of the Group is set out below.

Property Investment

The Group's investment properties comprise residential, commercial and industrial units in Hong Kong. During the year, the total rental income of the Group recorded HK\$52,958,000 (2017: HK\$51,664,000), representing a 2.5% slight increase over the last year.

As at 31 March 2018, the Group's commercial and residential units of the investment properties were all leased out. The Group's industrial units of the investment properties continued to maintain a high occupancy rate of 89.7%. The income from the property management fee was HK\$897,000 (2017: HK\$834,000).

Property Development

During the year, the Group continues to promote the sale of the remaining residential units of its existing development projects in Hong Kong. The development of the residential project at No. 6 La Salle Road, Ho Man Tin, Kowloon, Hong Kong is in progress for development and on 16 March 2018, the Group entered into a sale and purchase agreement to dispose of the ownership of this residential project, details of which please refer to “Disposal of Property” as below. For the year ended 31 March 2018, the revenue recorded from the property development was HK\$248,106,000, representing a decrease of approximately 45.7% as compared to HK\$456,601,000 in the last year.

Investment in Securities

The Group maintains a portfolio comprising bluechip stocks and top-tier investments products which generate high yield in Hong Kong. The Group takes into account of the following criteria when determining whether to take up an investment opportunity: (i) potential for return on investment in terms of capital appreciation and dividend payment for the targeted holding period; (ii) risks exposure in comparison with the Group’s risk tolerance level at the prevailing time; and (iii) diversification of the existing investment portfolio.

As at 31 March 2018, the Group recorded (i) gain on fair value change of held-for-trading investments of HK\$21,859,000 (2017: loss of HK\$8,773,000); (ii) loss on fair value changes of financial assets designated as at fair value through profit or loss of HK\$3,403,000 (2017: HK\$2,328,000); (iii) loss on changes in fair value of derivatives component of convertible notes of HK\$2,992,000 (2017: HK\$11,003,000); and (iv) loss on disposal of available-for-sale investments of HK\$1,033,000 (2017: gain of HK\$43,989,000). The impairment loss on available-for-sale investments was HK\$4,213,000 (2017: HK\$25,376,000) and greatly reduced as compared with last year.

As a result, the Group reported a segment profit of HK\$38,026,000 (2017: HK\$50,921,000) during the year under review. The Group received dividend income from the listed securities under held for trading investment and available-for-sale investments of HK\$5,631,000 and HK\$1,896,000 respectively during the year under review. As at 31 March 2018, the Group’s held-for-trading investments amounted to HK\$100,094,000 (2017: HK\$287,493,000). It was derived from (i) the purchase of trading securities of HK\$94,185,000 during the year under review; (ii) the disposal of held-for-trading securities which had a cost or fair value as at 31 March 2018 of HK\$278,031,000; and (iii) net decrease in market value in the amount of HK\$3,553,000 of the held-for-trading investment. This value represented an investment portfolio comprising 5 (2017: 4) equity securities which are listed on the Main Board of the Stock Exchange.

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Held-for-trading investments

The Group's significant investments under held-for-trading as at 31 March 2018 were as below:

Company name/ (stock code)	No. of shares held	Approximate percentage held to the total issued share capital of the company/ investment %	Investment cost/cost of acquisition HK\$'000	Dividend income for the year ended 31 March 2018 HK\$'000	Fair value gain/(loss) for the year ended 31 March 2018 HK\$'000	Fair value at 31 March 2018 HK\$'000	Approximate percentage of total assets of the Group at 31 March 2018 %
HSBC Holdings plc (5)	631,700	0.003	48,249	93	(1,503)	46,746	1.06
Hong Kong Exchanges and Clearing Limited ("HKEx") (388) (Note a)	130,967	0.011	24,658	5,538	7,740	33,396	0.75
Industrial and Commercial Bank of China Limited (1398)	2,000,000	0.002	14,034	–	(574)	13,460	0.30
Other listed shares (Note b)	–	–	37,101	–	(9,216)	6,492	0.15
Grand total:			124,042	5,631	(3,553)	100,094	2.26

Available-for-sale investments

The Group also held significant investments under available-for-sale investments as at 31 March 2018 as below:

Company name/ (stock code)	No. of shares held	Approximate percentage held to the total issued share capital of the company/ investment %	Investment cost/cost of acquisition HK\$'000	Dividend income for the year ended 31 March 2018 HK\$'000	Fair value gain/(loss) for the year ended 31 March 2018 HK\$'000	Fair value at 31 March 2018 HK\$'000	Approximate percentage of total assets of the Group at 31 March 2018 %
HKEx (388) (Note a)	260,574	0.021	49,509	656	16,937	66,446	1.50
Other listed shares (Note c)	–	–	40,992	1,240	3,430	43,219	0.97
Grand total:			90,501	1,896	20,367	109,665	2.47

Notes:

- The Company's shareholders passed a resolution at the special general meeting on 28 February 2018 to grant a mandate to the Directors for the disposal of all or partial of the shares in HKEx for a 12-month period commencing 28 February 2018 ("HKEx Disposal Mandate"). During the period from 28 February 2018 and up to the date of this report, the Company did

APPENDIX III FINANCIAL INFORMATION OF THE EASYKNIT GROUP

not dispose of any shares in HKEx pursuant to the HKEx Disposal Mandate and therefore, the Group beneficially owns a total of 391,541 shares (including 130,967 shares classified as held-for-trading and 260,574 shares classified as available-for-sale) in HKEx as at the date of this report. Details of which are set out in the Company's circular dated 29 January 2018.

- b. Other listed shares under held-for-trading investments included 2 companies whose shares are listed on the Main Board of the Stock Exchange and each of these listed shares represented not more than 0.2% of the total assets of the Group as at 31 March 2018.
- c. Other listed shares under available-for-sale investments included 4 companies whose shares are listed on the Main Board of the Stock Exchange and each of these listed shares represented not more than 0.6% of the total assets of the Group as at 31 March 2018.

Loan Financing

For the year ended 31 March 2018, the Group recorded an interest income from the loan financing business amounting to HK\$29,560,000 (2017: HK\$20,376,000), representing approximately 8.9% of the total revenue of the Group. The profit derived from loan financing business was HK\$27,987,000 for the year ended 31 March 2018 (2017: HK\$19,167,000). The principal amount of loans receivable as at 31 March 2018 was HK\$259,261,000 (2017: HK\$308,854,000). During the year under review, the Group did not record any doubtful or bad debt in its loan financing business. The Group would add margin financing services to its existing loan products to further expand the securities-backed financing business. The Group already holds an appropriate licence.

FINANCIAL REVIEW

	Year ended 31 March		
	2018	2017	Change
	HK\$'000	HK\$'000	HK\$'000
Revenue	331,521	529,475	(197,954)
Gross profit	174,169	233,184	(59,015)
Gross profit margin	52.5%	44.0%	8.5%
Distribution and selling expenses	30,118	64,829	(34,711)
Administrative expenses	55,396	52,485	2,911
Finance costs	16,935	17,203	(268)
Profit (loss) before taxation	319,809	(219,885)	539,694
Taxation charge	22,646	23,961	(1,315)
Profit (loss) for the year attributable to owners of the Company	297,163	(243,846)	541,009
Net profit (loss) margin	89.6%	(46.1%)	135.7%
Earnings (loss) per share			
Basic and diluted	HK\$3.74	(HK\$3.07)	HK\$6.81

Revenue

For the year ended 31 March 2018, the Group's revenue decreased by 37.4% to HK\$331,521,000 as compared with last year which was mainly due to the decrease in revenue from the property development.

Gross Profit/Margin

Gross profit of the Group for the year ended 31 March 2018 was HK\$174,169,000, representing a decrease of approximately 25.3% or HK\$59,015,000 as compared to HK\$233,184,000 in 2017. Gross profit margin for the year reached approximately 52.5% (2017: 44.0%), representing an elevation of 8.5 percentage points over the last financial year, as a result of the increase of interest income from the loan financing business, which contributed a higher gross profit margin.

Profit/Loss before Taxation

Profit before taxation of the Group for the year ended 31 March 2018 was HK\$319,809,000, as compared with last year loss before taxation of HK\$219,885,000. It was mainly due to the gain on changes in fair value of investment properties of HK\$159,475,000 and results attributable to interests in associates of HK\$40,993,000.

Distribution and selling expenses of the Group declined from HK\$64,829,000 to HK\$30,118,000, a decrease of 53.5% as compared with the last year. It was mainly attributable to the decrease of sale of Paxton.

Administrative expenses of the Group were HK\$55,396,000, a slight increase of 5.5% over last year of HK\$52,485,000.

During the year under review, there was an increase of 629.0% in the gain on changes in fair value of investment properties amounting to HK\$159,475,000 (2017: HK\$21,877,000).

Finance costs of the Group was HK\$16,935,000 which decreased by HK\$268,000 or 1.6% for the year from HK\$17,203,000 in 2017.

Profit/Loss Attributable to Owners of the Company and Earnings/(Loss) per Share

Profit for the year of the Company for the year ended 31 March 2018 was HK\$297,163,000 (2017: loss of HK\$243,846,000). Net profit margin of this year is 89.6% as compared to the net loss margin of 46.1% of last year.

Taxation charge decreased by 5.5% to HK\$22,646,000 from last year of HK\$23,961,000.

Basic and diluted earnings per share for the year 31 March 2018 was HK\$3.74 as compared to basic and diluted loss per share HK\$3.07 in last year.

Liquidity and Financial Resources

The Group financed its operation through internally generated cash flow and bank borrowings. As at 31 March 2018, the Group's bank borrowings amounted to HK\$1,151,742,000 (2017: HK\$899,482,000). The gearing ratio of the Group, calculated as a ratio of total borrowings to total equity, for the year was 0.36 (2017: 0.32).

As at 31 March 2018, the Group has net current assets of HK\$1,029,394,000 (2017: HK\$1,058,122,000). Current ratio was 2.5 (2017: 3.8). The bank balances and cash as at 31 March 2018 was HK\$150,370,000 (2017: HK\$25,473,000).

Capital Structure

During the year, there was no change to the share capital of the Company. As at 31 March 2018, the total number of issued ordinary shares of the Company was 79,420,403 shares.

Charges of Assets

As at 31 March 2018, bank loans amounting to HK\$1,151,742,000 (2017: HK\$899,482,000) were secured by leasehold properties, investment properties, properties held for development for sale, properties held for sale, deposit and prepayments for a life insurance policy and financial assets designated as at fair value through profit or loss of the Group having a net book value of HK\$2,674,668,000 (2017: HK\$2,160,596,000).

Exposure on Foreign Exchange Fluctuations

Most of the Group's revenues and payments are in Hong Kong dollars. During the year, the Group did not have significant exposure to fluctuations in exchange rates and thus, no financial instrument for hedging purposes was employed. The Directors considered the risk of exposure to the currency fluctuation to be minimal.

Material Acquisitions and Disposals***Acquisitions of Waterloo Building***

On 13 April 2017, Good Year Ventures Limited, a wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement with an independent third party to acquire an investment holding company known as Global Chance Holdings Limited ("Global Chance") and the 11 units of the building situated at Nos. 93, 93A, 95 and 95A Waterloo Road, Kowloon, Hong Kong (the "Waterloo Building") for a total consideration of HK\$332,869,023.25. The completion of the acquisition of the 11 units took place on 28 June 2017.

On 5 July 2017, Global Chance, a wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement with an independent third party to acquire the remaining unit of the Waterloo Building for a total consideration of

HK\$41,800,000. The transaction was approved by the shareholders of the Company on 4 September 2017 and the completion of the acquisition of the remaining unit took place on 6 October 2017. The Group aimed to acquire the entire building and redevelop the Waterloo Building site.

Details of the above acquisitions are set out in the Company's announcements dated 13 April 2017 and 5 July 2017 and the Company's circular dated 11 August 2017.

Disposal of Property

On 16 March 2018, a wholly-owned subsidiary of the Company ("Vendor 1"), as vendor, the Company entered into a sale and purchase agreement with an independent third party (the "Purchaser"), as purchaser, and vendor 2 ("Vendor 2", collectively with Vendor 1, the "Vendors"), pursuant to which the Vendors conditionally agreed to sell the entire issued share capital of each of the disposal companies and Vendor 2 and the Company conditionally agreed to sell the shareholders' loan due and owing by the disposal companies to the Company and Vendor 2 at the completion at the initial consideration for the disposals HK\$920 million (subject to adjustments under the sale and purchase agreement). The disposal companies holds as to 75% and 25% interests respectively in a property located at No. 6 La Salle Road, Ho Man Tin, Kowloon, Hong Kong. As at the date of this report, the transaction has not completed. Details of the above disposal are set out in the Company's announcement dated 16 March 2018 and the Company's circular dated 24 May 2018.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or associated companies during the year.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2018 (2017: nil).

Capital Expenditure

For the year ended 31 March 2018, the Group invested HK\$6,037,000 (2017: HK\$7,636,000) on the acquisition of property, plant and equipment, and spent HK\$3,425,000 (2017: HK\$30,000) on additions of investment properties.

Capital Commitments

As at 31 March 2018, the Group had capital commitments in respect of capital expenditure contracted for but not provided of HK\$844,000 (2017: HK\$621,000).

PROPOSED SPIN-OFF

Reference is made to the Company's announcement dated 27 October 2017 under which the Company is currently considering the spin-off and separate listing (the "Proposed Spin-off") of the Group's residential property business (the "RP Business") on the Main Board of the Stock Exchange. A spinoff proposal was submitted to the Stock Exchange on 12 May 2017 pursuant to Practice Note 15 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and on 24 October 2017, the Stock Exchange agreed that the Company may proceed with the Proposed Spin-off.

Preparation for the Proposed Spin-off is underway for the separate listing of the RP Business on the Main Board of the Stock Exchange.

EVENTS AFTER REPORTING PERIOD**Placing**

On 4 May 2018, the Company and a placing agent entered into a placing agreement under general mandate pursuant to which the placing agent agreed to place, on a best effort basis, up to 11,900,000 placing shares at a price of HK\$4.6 per placing share to not less than six independent placees. The closing price of the Shares on 4 May 2018 was HK\$4.99. The placing was completed on 17 May 2018 and the net proceeds were approximately HK\$54.19 million (the net issue price of approximately HK\$4.554 per placing share). The net proceeds from the placing would be used for acquisitions or for general working capital of the Group. As at the date of this report, HK\$41.1 million of the net proceeds was utilised for acquisition of properties and the remaining balance of approximately HK\$13.09 million remain in the bank. Details of which are set out in the Company's announcements dated 4 May 2018 and 17 May 2018.

Acquisition of Properties

On 16 May 2018, a wholly-owned subsidiary of the Company (the "Buyer"), as buyer, entered into a sale and purchase agreement with an independent third party (the "Seller"), as seller, to acquire the entire issued share capital of a company (the "Target") (the sole assets of which are the properties purchase agreements, being contracts to purchase units in the buildings at 470, 472, 474, 476 and 478 Chatham Road North, Kowloon) and a related shareholder loan. The total consideration for the Group to acquire the Target is HK\$458,475,515, subject to adjustment. As at the date of this report, the transaction was not yet completed. Details of which are set out in the Company's announcement dated 16 May 2018.

Joint Venture Development

On the 24th of May 2018, the Group entered into a joint venture with an independent third party whereby a Developer (80% owned by the Group and 20% owned by the independent party) was appointed to carry out the development of 93, 93A, 95 and 95A Waterloo Road, Kowloon.

EMPLOYEES

As at 31 March 2018, the Group had 32 employees (2017: 35). Staff costs (including directors' emoluments) amounted to HK\$24,164,000 for the year under review (2017: HK\$32,628,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees. The Group has a share option scheme to motivate employees.

PROSPECTS

Hong Kong's property market is expected to grow on the back of a healthy economy, rising confidence in economic growth and continuous inflow of foreign capital. We expect the local property market, discounting the probability of further US rate hikes, would maintain its current level. The management believes that the Group's business will continue to develop steadily in the forthcoming year.

During the year, the Group successfully obtained the Stock Exchange's agreement for the Proposed Spin-off of the Group's Residential Portfolio and work on proposed spin-off is in progress.

With regards to the Group's property investment business, the Group intends to continue the investment in properties located in Hong Kong and improve the mix of the portfolio for the property investment to enhance returns on investment. This may include carrying out renovation and refurbishment of the Group's investment properties to enhance yields.

With regards to the Group's securities business, the Group intends to continuously diversify its investment portfolio to manage risks and return.

The Group intends to expand its loan financing business by broadening the customer base and loan types to cater to different needs and repayment preferences of various segments of potential customers.

Business Review

For the year ended 31 March 2018, the Easyknit Group's revenue amounted to HK\$331,521,000 (2017: HK\$529,475,000), representing a decrease of HK\$197,954,000 or approximately 37.4% as compared to last year. There was a profit for the year attributable to Easyknit's owners of HK\$297,163,000, as compared to a loss of

APPENDIX III FINANCIAL INFORMATION OF THE EASYKNIT GROUP

HK\$243,846,000 last year. The profit during the year was mainly due to the gain on changes in fair value of investment properties amounting to HK\$159,475,000 and the results attributable to interests in associates amounting to HK\$40,993,000.

The basic and diluted earnings per share amounted to HK\$3.74 for the year ended 31 March 2018, as compared with loss per share of HK\$3.07 for the corresponding period last year. The review of each business segment of the Easyknit Group is set out below.

Property Investment

The Easyknit Group's investment properties comprise residential, commercial and industrial units in Hong Kong. During the year, the total rental income of the Easyknit Group recorded HK\$52,958,000 (2017: HK\$51,664,000), representing a 2.5% slight increase over the last year.

As at 31 March 2018, the Easyknit Group's commercial and residential units of the investment properties were all leased out. The Easyknit Group's industrial units of the investment properties continued to maintain a high occupancy rate of 89.7%. The income from the property management fee was HK\$897,000 (2017: HK\$834,000).

Property Development

During the year, the Easyknit Group continues to promote the sale of the remaining residential units of its existing development projects in Hong Kong. The development of the residential project at No. 6 La Salle Road, Ho Man Tin, Kowloon, Hong Kong is in progress for development and on 16 March 2018, the Easyknit Group entered into a sale and purchase agreement to dispose of the ownership of this residential project, details of which please refer to "Disposal of Property" as below. For the year ended 31 March 2018, the revenue recorded from the property development was HK\$248,106,000, representing a decrease of approximately 45.7% as compared to HK\$456,601,000 in the last year.

Investment in Securities

The Easyknit Group maintains a portfolio comprising blue-chip stocks and top-tier investments products which generate high yield in Hong Kong. The Easyknit Group takes into account of the following criteria when determining whether to take up an investment opportunity: (i) potential for return on investment in terms of capital appreciation and dividend payment for the targeted holding period; (ii) risks exposure in comparison with the Easyknit Group's risk tolerance level at the prevailing time; and (iii) diversification of the existing investment portfolio.

As at 31 March 2018, the Easyknit Group recorded (i) gain on fair value change of held-for-trading investments of HK\$21,859,000 (2017: loss of HK\$8,773,000); (ii) loss on fair value changes of financial assets designated as at fair value through profit or loss of HK\$3,403,000 (2017: HK\$2,328,000); (iii) loss on changes in fair value of derivatives component of convertible notes of HK\$2,992,000 (2017: HK\$11,003,000);

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and (iv) loss on disposal of available-for-sale investments of HK\$1,033,000 (2017: gain of HK\$43,989,000). The impairment loss on available-for-sale investments was HK\$4,213,000 (2017: HK\$25,376,000) and greatly reduced as compared with last year.

As a result, the Easyknit Group reported a segment profit of HK\$38,026,000 (2017: HK\$50,921,000) during the year under review. The Easyknit Group received dividend income from the listed securities under held for trading investment and available-for-sale investments of HK\$5,631,000 and HK\$1,896,000 respectively during the year under review. As at 31 March 2018, the Easyknit Group's held-for-trading investments amounted to HK\$100,094,000 (2017: HK\$287,493,000). It was derived from (i) the purchase of trading securities of HK\$94,185,000 during the year under review; (ii) the disposal of held-for-trading securities which had a cost or fair value as at 31 March 2018 of HK\$278,031,000; and (iii) net decrease in market value in the amount of HK\$3,553,000 of the held-for-trading investment. This value represented an investment portfolio comprising 5 (2017: 4) equity securities which are listed on the Main Board of the Stock Exchange.

Held-for-trading investments

The Easyknit Group's significant investments under held-for-trading as at 31 March 2018 were as below:

Company name/ (stock code)	No. of shares held	Approximate percentage held to the total issued share capital of Easyknit/ investment %	Investment cost/cost of acquisition HK\$'000	Dividend income for the year ended 31 March 2018 HK\$'000	Fair value gain/(loss) for the year ended 31 March 2018 HK\$'000	Fair value at 31 March 2018 HK\$'000	Approximate percentage of total assets of the Easyknit Group at 31 March 2018 %
HSBC Holdings plc (5)	631,700	0.003	48,249	93	(1,503)	46,746	1.06
Hong Kong Exchanges and Clearing Limited ("HKEx") (388) (Note a)	130,967	0.011	24,658	5,538	7,740	33,396	0.75
Industrial and Commercial Bank of China Limited (1398)	2,000,000	0.002	14,034	–	(574)	13,460	0.30
Other listed shares (Note b)	–	–	37,101	–	(9,216)	6,492	0.15
Grand total:			<u>124,042</u>	<u>5,631</u>	<u>(3,553)</u>	<u>100,094</u>	<u>2.26</u>

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Available-for-sale investments

The Easyknit Group also held significant investments under available-for-sale investments as at 31 March 2018 as below:

Company name/ (stock code)	No. of shares held	Approximate percentage held to the total issued share capital of Easyknit/ investment %	Investment cost/cost of acquisition HK\$'000	Dividend income for the year ended 31 March 2018 HK\$'000	Fair value gain/(loss) for the year ended 31 March 2018 HK\$'000	Fair value at 31 March 2018 HK\$'000	Approximate percentage of total assets of the Easyknit Group at 31 March 2018 %
HKEx (388) (Note a)	260,574	0.021	49,509	656	16,937	66,446	1.50
Other listed shares (Note c)	–	–	40,992	1,240	3,430	43,219	0.97
Grand total:			<u>90,501</u>	<u>1,896</u>	<u>20,367</u>	<u>109,665</u>	<u>2.47</u>

Notes:

- Easyknit's shareholders passed a resolution at the special general meeting on 28 February 2018 to grant a mandate to the Directors for the disposal of all or partial of the shares in HKEx for a 12-month period commencing 28 February 2018 ("HKEx Disposal Mandate"). During the period from 28 February 2018 and up to the date of this announcement, Easyknit did not dispose of any shares in HKEx pursuant to the HKEx Disposal Mandate and therefore, the Easyknit Group beneficially owns a total of 391,541 shares (including 130,967 shares classified as held-for-trading and 260,574 shares classified as available-for-sale) in HKEx as at 25 May 2018. Details of which are set out in Easyknit's circular dated 29 January 2018.
- Other listed shares under held-for-trading investments included 2 companies whose shares are listed on the Main Board of the Stock Exchange and each of these listed shares represented not more than 0.2% of the total assets of the Easyknit Group as at 31 March 2018.
- Other listed shares under available-for-sale investments included 4 companies whose shares are listed on the Main Board of the Stock Exchange and each of these listed shares represented not more than 0.6% of the total assets of the Easyknit Group as at 31 March 2018.

Loan Financing

For the year ended 31 March 2018, the Easyknit Group recorded an interest income from the loan financing business amounting to HK\$29,560,000 (2017: HK\$20,376,000), representing approximately 8.9% of the total revenue of the Easyknit Group. The profit derived from loan financing business was HK\$27,987,000 for the year ended 31 March 2018 (2017: HK\$19,167,000). The principal amount of loans receivable as at 31 March 2018 was HK\$259,261,000 (2017: HK\$308,854,000). During the year under review, the Easyknit Group did not record any doubtful or bad debt in its loan financing business. The Easyknit Group would add margin financing services to its existing loan products to further expand the securities-backed financing business. The Easyknit Group already holds an appropriate licence.

APPENDIX III FINANCIAL INFORMATION OF THE EASYKNIT GROUP

Financial Review

	Year ended 31 March		
	2018	2017	Change
	HK\$'000	HK\$'000	HK\$'000
Revenue	331,521	529,475	(197,954)
Gross profit	174,169	233,184	(59,015)
Gross profit margin	52.5%	44.0%	8.5%
Distribution and selling expenses	30,118	64,829	(34,711)
Administrative expenses	55,396	52,485	2,911
Finance costs	16,935	17,203	(268)
Profit (loss) before taxation	319,809	(219,885)	539,694
Taxation charge	22,646	23,961	(1,315)
Profit (loss) for the year attributable to owners of Easyknit	297,163	(243,846)	541,009
Net profit (loss) margin	89.6%	(46.1%)	135.7%
Earnings (loss) per share			
Basic and diluted	HK\$3.74	(HK\$3.07)	HK\$6.81

Revenue

For the year ended 31 March 2018, the Easyknit Group's revenue decreased by 37.4% to HK\$331,521,000 as compared with last year which was mainly due to the decrease in revenue from the property development.

Gross Profit/Margin

Gross profit of the Easyknit Group for the year ended 31 March 2018 was HK\$174,169,000, representing a decrease of approximately 25.3% or HK\$59,015,000 as compared to HK\$233,184,000 in 2017. Gross profit margin for the year reached approximately 52.5% (2017: 44.0%), representing an elevation of 8.5 percentage points over the last financial year, as a result of the increase of interest income from the loan financing business, which contributed a higher gross profit margin.

Profit/Loss before Taxation

Profit before taxation of the Easyknit Group for the year ended 31 March 2018 was HK\$319,809,000, as compared with last year loss before taxation of HK\$219,885,000. It was mainly due to the gain on changes in fair value of investment properties of HK\$159,475,000 and results attributable to interests in associates of HK\$40,993,000.

APPENDIX III FINANCIAL INFORMATION OF THE EASYKNIT GROUP

Distribution and selling expenses of the Easyknit Group declined from HK\$64,829,000 to HK\$30,118,000, a decrease of 53.5% as compared with the last year. It was mainly attributable to the decrease of sale of Paxton.

Administrative expenses of the Easyknit Group were HK\$55,396,000, a slight increase of 5.5% over last year of HK\$52,485,000.

During the year under review, there was an increase of 629.0% in the gain on changes in fair value of investment properties amounting to HK\$159,475,000 (2017: HK\$21,877,000).

Finance costs of the Easyknit Group was HK\$16,935,000 which decreased by HK\$268,000 or 1.6% for the year from HK\$17,203,000 in 2017.

Profit/Loss Attributable to Owners of Easyknit and Earnings/(Loss) per Share

Profit for the year of Easyknit for the year ended 31 March 2018 was HK\$297,163,000 (2017: loss of HK\$243,846,000). Net profit margin of this year is 89.6% as compared to the net loss margin of 46.1% of last year.

Taxation charge decreased by 5.5% to HK\$22,646,000 from last year of HK\$23,961,000.

Basic and diluted earnings per share for the year 31 March 2018 was HK\$3.74 as compared to basic and diluted loss per share HK\$3.07 in last year.

Liquidity and Financial Resources

The Easyknit Group financed its operation through internally generated cash flow and bank borrowings. As at 31 March 2018, the Easyknit Group's bank borrowings amounted to HK\$1,151,742,000 (2017: HK\$899,482,000). The gearing ratio of the Easyknit Group, calculated as a ratio of total borrowings to total equity, for the year was 0.36 (2017: 0.32).

As at 31 March 2018, the Easyknit Group has net current assets of HK\$1,029,394,000 (2017: HK\$1,058,122,000). Current ratio was 2.5 (2017: 3.8). The bank balances and cash as at 31 March 2018 was HK\$150,370,000 (2017: HK\$25,473,000).

Capital Structure

During the year, there was no change to the share capital of Easyknit. As at 31 March 2018, the total number of issued ordinary shares of Easyknit was 79,420,403 shares.

Charges of Assets

As at 31 March 2018, bank loans amounting to HK\$1,151,742,000 (2017: HK\$899,482,000) were secured by leasehold properties, investment properties, properties held for development for sale, properties held for sale, deposit and prepayments for a life insurance policy and financial assets designated as at fair value through profit or loss of the Easyknit Group having a net book value of HK\$2,674,668,000 (2017: HK\$2,160,596,000).

Exposure on Foreign Exchange Fluctuations

Most of the Easyknit Group's revenues and payments are in Hong Kong dollars. During the year, the Easyknit Group did not have significant exposure to fluctuations in exchange rates and thus, no financial instrument for hedging purposes was employed. The Directors considered the risk of exposure to the currency fluctuation to be minimal.

Material Acquisitions and Disposals*Acquisitions of Waterloo Building*

On 13 April 2017, Good Year Ventures Limited, a wholly-owned subsidiary of Easyknit, as purchaser, entered into a sale and purchase agreement with an independent third party to acquire an investment holding company known as Global Chance Holdings Limited ("Global Chance") and the 11 units of the building situated at Nos. 93, 93A, 95 and 95A Waterloo Road, Kowloon, Hong Kong (the "Waterloo Building") for a total consideration of HK\$332,869,023.25. The completion of the acquisition of the 11 units took place on 28 June 2017.

On 5 July 2017, Global Chance, a wholly-owned subsidiary of Easyknit, as purchaser, entered into a sale and purchase agreement with an independent third party to acquire the remaining unit of the Waterloo Building for a total consideration of HK\$41,800,000. The transaction was approved by the shareholders of Easyknit on 4 September 2017 and the completion of the acquisition of the remaining unit took place on 6 October 2017. The Easyknit Group aimed to acquire the entire building and redevelop the Waterloo Building site.

Details of the above acquisitions are set out in Easyknit's announcements dated 13 April 2017 and 5 July 2017 and Easyknit's circular dated 11 August 2017.

Disposal of Property

On 16 March 2018, a wholly-owned subsidiary of Easyknit ("Vendor 1"), as vendor, Easyknit entered into a sale and purchase agreement with an independent third party (the "Purchaser"), as purchaser, and vendor 2 ("Vendor 2", collectively with Vendor 1, the "Vendors"), pursuant to which the Vendors conditionally agreed to sell the entire issued share capital of each of the disposal companies and Vendor 2 and Easyknit conditionally agreed to sell the shareholders' loan due and owing by the

APPENDIX III FINANCIAL INFORMATION OF THE EASYKNIT GROUP

disposal companies to Easyknit and Vendor 2 at the completion at the initial consideration for the disposals HK\$920 million (subject to adjustments under the sale and purchase agreement). The disposal companies holds as to 75% and 25% interests respectively in a property located at No. 6 La Salle Road, Ho Man Tin, Kowloon, Hong Kong. As at 25 May 2018, the transaction has not completed. Details of the above disposal are set out in Easyknit's announcement dated 16 March 2018 and Easyknit's circular dated 24 May 2018.

Save as disclosed above, the Easyknit Group had no material acquisitions or disposals of subsidiaries or associated companies during the year.

Contingent Liabilities

The Easyknit Group did not have any significant contingent liabilities as at 31 March 2018 (2017: nil).

Capital Expenditure

For the year ended 31 March 2018, the Easyknit Group invested HK\$6,037,000 (2017: HK\$7,636,000) on the acquisition of property, plant and equipment, and spent HK\$3,425,000 (2017: HK\$30,000) on additions of investment properties.

Capital Commitments

As at 31 March 2018, the Easyknit Group had capital commitments in respect of capital expenditure contracted for but not provided of HK\$844,000 (2017: HK\$621,000).

Proposed Spin-Off

Reference is made to Easyknit's announcement dated 27 October 2017 under which Easyknit is currently considering the spin-off and separate listing (the "Proposed Spin-off") of the Easyknit Group's residential property business (the "RP Business") on the Main Board of the Stock Exchange. A spin-off proposal was submitted to the Stock Exchange on 12 May 2017 pursuant to Practice Note 15 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and on 24 October 2017, the Stock Exchange agreed that Easyknit may proceed with the Proposed Spin-off.

Preparation for the Proposed Spin-off is underway for the separate listing of the RP Business on the Main Board of the Stock Exchange.

Event After Reporting Period*Placing*

On 4 May 2018, Easyknit and a placing agent entered into a placing agreement under general mandate pursuant to which the placing agent agreed to place, on a best effort basis, up to 11,900,000 placing shares at a price of HK\$4.6 per placing share to not less than six independent placees. The closing price of the Shares on 4 May 2018 was HK\$4.99. The placing was completed on 17 May 2018 and the net proceeds were approximately HK\$54.19 million (the net issue price of approximately HK\$4.554 per placing share). The net proceeds from the placing would be used for acquisitions or for general working capital of the Easyknit Group. As at 25 May 2018, HK\$41.1 million of the net proceeds was utilised for acquisition of properties and the remaining balance of approximately HK\$13.09 million remain in the bank. Details of which are set out in Easyknit's announcements dated 4 May 2018 and 17 May 2018.

Acquisition of properties

On 16 May 2018, a wholly-owned subsidiary of Easyknit (the "Buyer"), as buyer, entered into a sale and purchase agreement with an independent third party (the "Seller"), as seller, to acquire the entire issued share capital of a company (the "Target") (the sole assets of which are the properties purchase agreements, being contracts to purchase units in the buildings at 470, 472, 474, 476 and 478 Chatham Road North, Kowloon) and a related shareholder loan. The total consideration for the Group to acquire the Target is HK\$458,475,515, subject to adjustment. As at the date of 25 May 2018, the transaction was not yet completed. Details of which are set out in Easyknit's announcement dated 16 May 2018.

Joint Venture Development

On the 24th of May 2018, the Easyknit Group entered into a joint venture with an independent third party whereby a Developer (80% owned by the Easyknit Group and 20% owned by the independent party) was appointed to carry out the development of 93, 93A, 95 and 95A Waterloo Road, Kowloon.

Employees

As at 31 March 2018, the Easyknit Group had 32 employees (2017: 35). Staff costs (including directors' emoluments) amounted to HK\$24,164,000 for the year under review (2017: HK\$32,628,000). The Easyknit Group remunerates its employees based on their performance, experience and prevailing industry practice. The Easyknit Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees. The Easyknit Group has a share option scheme to motivate employees.

Prospects

Hong Kong's property market is expected to grow on the back of a healthy economy, rising confidence in economic growth and continuous inflow of foreign capital. We expect the local property market, discounting the probability of further US rate hikes, would maintain its current level. The management believes that the Easyknit Group's business will continue to develop steadily in the forthcoming year.

During the year, the Easyknit Group successfully obtained the Stock Exchange's agreement for the Proposed Spin-off of the Easyknit Group's Residential Portfolio and work on proposed spin-off is in progress.

With regards to the Easyknit Group's property investment business, the Easyknit Group intends to continue the investment in properties located in Hong Kong and improve the mix of the portfolio for the property investment to enhance returns on investment. This may include carrying out renovation and refurbishment of the Easyknit Group's investment properties to enhance yields.

With regards to the Easyknit Group's securities business, the Easyknit Group intends to continuously diversify its investment portfolio to manage risks and return.

The Easyknit Group intends to expand its loan financing business by broadening the customer base and loan types to cater to different needs and repayment preferences of various segments of potential customers.

For the six months ended 30 September 2018

BUSINESS REVIEW

Despite the U.S. short-term interest rates having risen above 2%, Hong Kong's economy and financial conditions remain good in shape and the mortgage interest rates are relatively low. The Board remains optimistic on the long-term growth of Hong Kong.

Below sets out the performance of each principal business segment of the Group, namely property investment, property development, securities investment and loan financing businesses:

(i) Property Investment

The Group's investment properties comprise of residential, commercial and industrial real estate in Hong Kong.

As at 30 September 2018, more than 90% of the Group's commercial and residential units of the investment properties had been successfully leased out while the Group's industrial units continued to maintain a high occupancy rate of 88.62%.

APPENDIX III FINANCIAL INFORMATION OF THE EASYKNIT GROUP

As a result, the revenue arising from property rental for the Period was HK\$27,325,000 (2017 Period: HK\$26,568,000), representing an approximately HK\$757,000 or 2.85% increase over 2017 Period. The overall revenue for the property investment segment was HK\$48,157,000 for the Period from HK\$54,905,000 in 2017 Period, representing a decrease of HK\$6,748,000 or 12.29% as compared with 2017 Period.

Income from property management for the Period amounted to HK\$477,000, a rise of HK\$40,000 compared to 2017 Period (2017 Period: HK\$437,000).

(ii) Property Development

During the Period, the Group continued to seize opportunity on widening the profit margin in this segment through prudent acquisition of lands for redevelopment in Hong Kong. The revenue recorded from the property development segment for the Period was approximately HK\$48,195,000 (2017 Period: HK\$204,309,000).

(a) *La Salle Road Property*

The Group held 75% of a residential development at No. 6 La Salle Road, Ho Man Tin, Kowloon, Hong Kong (the “La Salle Road Property”). On 16 October 2018, the Group successfully completed the sale of its entire interest in La Salle Road Property and such brought to the Group the gross proceeds of approximately HK\$690,000,000.

(b) *“Waterloo”*

The Group, through its wholly subsidiary, is the registered owner of the building at Nos. 93, 93A, 95 and 95A Waterloo Road, Kowloon, Hong Kong (the “Waterloo”) which has a site area of approximately 911.7 square metres.

On 24 May 2018, the Group appointed a developer (80% owned by the Group and 20% owned by the independent party) to carry out the development of the site. Under the development agreement, the developer agreed to pay an upfront payment of HK\$492,500,000 and agreed to bear all the development costs for the project.

The Waterloo site will be developed into a luxurious residential accommodation with car parks and the estimated gross floor area is approximately 4,556.9 square metres. The development works is in progress and is expected to be completed in late 2021.

(iii) Securities Investment

During the Period, the Group adopted a prudent attitude in its securities investments. The Group had acquired listed securities investments and disposed of some shares in the investment portfolio. The Group recorded fair value loss in securities investments of HK\$31,451,000 (2017 Period: gain of HK\$10,447,000). As a

result, the Group reported segment loss of HK\$25,506,000 (2017 Period: segment gain of HK\$22,835,000) during the Period. The Group received dividend income from the listed securities investments of HK\$5,105,000 during the Period. The Group considers the prospects in respect of the investments are healthy. The Board understands that the performance of the investments may be affected by volatility in the Hong Kong stock market and subject to other external factors. Accordingly, the Group will continue to maintain a diversified portfolio of investment of different segments of markets to minimise the possible financial risks. The Group will closely monitor the performance and progress of the investment portfolio from time to time.

At 30 September 2018, the Group held securities investments amounting to HK\$103,854,000 (31 March 2018: HK\$209,759,000). This was derived from (i) the purchase of securities investments of HK\$58,001,000 during the Period; (ii) the disposal of securities investments which had a cost or fair value as at 31 March 2018 of HK\$149,534,000; and (iii) net decrease in market value in the amount of HK\$14,372,000 of securities investments. This value represented an investment portfolio comprising 6 (31 March 2018: 7) equity securities which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

(iv) Loan Financing

During the Period, the Group recorded revenue from the loan financing business of HK\$9,381,000 (2017 Period: HK\$15,691,000) representing a decrease of 40.21% compared with the 2017 Period.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group financed its operations through internally generated cash flow and bank borrowings. As at 30 September 2018, the bank balances (including cash and deposits) were HK\$184,503,000 (31 March 2018: HK\$150,370,000), representing an increase of HK\$34,133,000 compared to 31 March 2018. The Group’s bank borrowings amounted to HK\$1,221,336,000 (31 March 2018: HK\$1,151,742,000). The gearing ratio of the Group, calculated as a ratio of total borrowings to total equity, at 30 September 2018 stayed healthily at 0.38 (31 March 2018: 0.36).

As at 30 September 2018, the Group has net current assets of HK\$1,287,234,000 (31 March 2018: HK\$1,029,394,000), exhibiting a remarkable increase of HK\$257,840,000. This is attributed to an impressive increment in the current assets of the Group from HK\$1,723,665,000 (as at 31 March 2018) to HK\$2,124,008,000. On such account, the current ratio as at 30 September 2018 was 2.54 (31 March 2018: 2.48).

Capital Structure

On 4 May 2018, the Company and a placing agent entered into a placing agreement under the general mandate pursuant to which the placing agent placed 11,900,000 placing shares at a price of HK\$4.60 per placing share. The closing price of the Shares on 4 May 2018 was HK\$4.99. The placing was completed on 17 May 2018 and the net proceeds were approximately HK\$54.19 million (the net issue price of approximately HK\$4.554 per placing share). As at the date of this report, HK\$41.1 million of the net proceeds from the placement have been utilised for acquisition of properties and the remaining balance of approximately HK\$13.09 million will be used as the Group's working capital. Details of the placement were set out in the Company's announcements dated 4 May 2018 and 17 May 2018.

As at 30 September 2018, the total number of issued ordinary shares of the Company was 91,320,403 shares (2017 Period: 79,420,403 shares).

Capital Expenditures

During the Period, the Group invested HK\$190,000 (2017 Period: HK\$6,457,000) on the acquisitions of property, plant and equipment; and expended HK\$1,170,000 (2017 Period: nil) on additions of investment properties.

Capital Commitments

As at 30 September 2018, the Group had capital commitments in respect of capital expenditure contracted for but not provided of HK\$1,100,000 (31 March 2018: HK\$844,000).

Material Acquisitions and Disposals***Disposal of the La Salle Road Property***

Early this year, the Group disposed of all of its interests in the La Salle Road Property. Further information can be found in the circular dated 24 May 2018 issued by the Company. Such transaction was successfully completed on 16 October 2018 and such disposal brought to the Group the gross proceeds of approximately HK\$690,000,000.

Acquisitions of "Chatham Road North"

In mid-2018, the Group acquired the entire issued share capital of an investment holding company known as Success Active Limited (which held interests in excess of 80% in Nos. 470, 472, 474, 476 and 478 Chatham Road North, Kowloon, Hong Kong ("Chatham Road North")). The total site area of Chatham Road North is approximately 435.2 square metres. With the completion of the acquisition, as at 30 September 2018, the Group is the registered owner of more than 80% of Chatham Road North. Details of the acquisition are set out in the Company's announcements dated 16 May 2018 and 8 June 2018 and the Company's circular dated 25 June 2018.

APPENDIX III FINANCIAL INFORMATION OF THE EASYKNIT GROUP

The Group will file an application under the Land (Compulsory Sale for Redevelopment) Ordinance to the Lands Tribunal in the near future for an order to auction all the undivided shares of Nos. 472-478 of Chatham Road North.

If the Group successfully acquires all the remaining units, the Chatham Road North site will be 100% owned by the Group and will be developed into a composite area with residential and commercial use. The estimated gross floor area after redevelopment is expected to be approximately 3,916.8 square metres.

Apart as disclosed in this report, the Group had no material acquisitions or disposals of subsidiaries or associated companies during the Period.

Charge on Group Assets

As at 30 September 2018, bank borrowings amounting to HK\$1,221,336,000 (31 March 2018: HK\$1,151,742,000) were secured by the assets of the Group having a net book value of HK\$2,678,957,000 (31 March 2018: HK\$2,674,668,000).

Exposure on Foreign Exchange Fluctuations

Most of the Group's revenues and payments are in Hong Kong dollars. During the Period, the Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed. The Group considered the risk of exposure to the currency fluctuation to be minimal.

Contingent Liabilities

The Group did not have significant contingent liabilities as at 30 September 2018 (31 March 2018: nil).

Changes in Fair Value of Investment Properties

As at 30 September 2018, there was a gain of HK\$28,830,000 arising from changes in fair value of investment properties (2017 Period: gain of HK\$32,700,000).

Finances Costs

Finance costs was HK\$11,495,000, increased by HK\$2,395,000 from HK\$9,100,000 in 2017 Period.

PROPOSED SPIN OFF AND LISTING

Reference is made to the announcement of the Company dated 27 October 2017 on the possibility of a spin-off and separate listing ("Proposed Spinoff") of the Group's residential property business ("RP Business") on the Main Board of The Stock Exchange of Hong Kong Limited. A spin-off proposal was submitted to the Stock Exchange on 12 May 2017 pursuant to Practice Note 15 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and on 24 October 2017,

the Stock Exchange agreed that the Company may proceed with the Proposed Spin-off. Preparation for the Proposed Spin-off is underway and no listing application has been submitted to the Stock Exchange for the separate listing of the RP Business on the Main Board of the Stock Exchange as at 30 September 2018.

PROSPECTS

Despite the uncertainties on global economic outlook caused by the intensified US-China trade war, Brexit, and recent corrections in the financial markets, Hong Kong's economy remains resilient.

The Group maintains a cautiously optimistic view on the property market and will devote resources and efforts in increasing and replenishing its land bank for development. The Group will continue to adopt a prudent approach on acquiring and disposing properties. In addition, the Group will continue to look for potential investment properties for recurring income and capital appreciation, at the same time expanding its loan financing business for the growth of its stable recurring income.

These strategies will enable the Group to maintain its competitiveness thereby ensuring the Group's sustainability and securing the shareholders benefits.

Changes since 31 March 2018

There were no other significant changes in the Group's financial statements or from the information disclosed under Management Discussion and Analysis in 2018 Annual Report.

APPENDIX IV FINANCIAL INFORMATION OF THE EMINENCE GROUP

In this Appendix, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of directors of the Company
“Company”	Eminence Enterprise Limited (高山企業有限公司), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 616)
“Group”	the Company and its subsidiaries

1. FINANCIAL INFORMATION ABOUT EMINENCE GROUP

Set out below are extracts from the relevant published reports showing the financial information of Eminence. The reports can be viewed at the following internet addresses:

For the six months ended	Publication of interim report	Pages
30 September 2018	21 December 2018	35-132
http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/1122/LTN20181122279.pdf		

For the year ended	Publication of annual report	Pages
31 March 2018	22 June 2018	51-148
http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0622/LTN20180622291.pdf		
31 March 2017	15 June 2017	74-192
http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0615/LTN20170615234.pdf		
31 March 2016	15 July 2016	61-157
http://www3.hkexnews.hk/listedco/listconews/SEHK/2016/0715/LTN20160715298.pdf		

2. WORKING CAPITAL

The Eminence Directors, after due and careful consideration, are of the opinion that, after taking into account the financial resources available, including internally generated funds, the available credit loan facilities and the available shareholder’s loans, the Eminence Group has sufficient working capital for its requirements for at least twelve months from the date of this circular.

3. INDEBTEDNESS

As at 30 November 2018, the Group had an outstanding principal amount of bank borrowings of approximately HK\$1,527 million, which were guaranteed by the Company and secured by charges over certain properties (including the investment properties and the properties held for development for sale with aggregate carrying amounts of approximately HK\$757 million and HK\$2,703 million respectively) being owned by the Group.

Apart from as disclosed above and intra-group liabilities, the Eminence Group did not have any debt securities authorised or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guaranteed, unguaranteed, secured and unsecured borrowing and debt, or other material contingent liabilities as at 30 November 2018.

4. FINANCIAL AND TRADING PROSPECTS OF THE EMINENCE GROUP

As mentioned in the interim report of Eminence for the six (6) months ended 30 September 2018, the Group will continue focusing its efforts in the development of its existing principal businesses: (1) property investment; (2) property development; (3) securities investment; (4) loan financing business and other potential projects with a view to providing steady returns for the Eminence Shareholders.

The financial market in Hong Kong performed well in the first half 2018 while the economy is expected to continue to grow steadily. However given the trade war between US and China, Hong Kong's equity and financial environment will continue to be affected. Interest rates will also affect the property market inevitably. Although the trade war is not expected to be resolved in the near future, the Eminence Group is prudently optimistic about the prospects of the property and securities market in Hong Kong and believes these markets will continue to grow over the longer term.

In line with its investment strategy and policy, Eminence will continue to identify appropriate investment and divestment opportunities that fit the objective and investment criteria of Eminence, and will continue to seek opportunities to replenish its property portfolio as an ongoing business exercise. The Eminence Board would exercise utmost caution, so as to bring positive impact on the operating and financial results to Eminence in the foreseeable future.

5. MATERIAL ADVERSE CHANGE

There has been no material adverse change in the financial or trading position of the Eminence Group since 31 March, 2018 (being the date to which the latest published audited consolidated financial statements of the Eminence Group have been made up) to the Latest Practicable Date.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE EMINENCE GROUP

Set out below is the management discussion and analysis of the Eminence Group for each of the three financial years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2018.

For the year ended 31 March 2016**Business Review**

During the year, the Eminence Group was principally engaged in property investment, comprising the ownership and rental of investment properties, property development, garment sourcing and export businesses, securities investment and loan financing business.

Geographical Analysis of Turnover

During the year, the turnover from garment sourcing and export businesses was mainly derived from customers in the US. Rental income from the investment properties were derived from properties located in Hong Kong, Singapore and the PRC.

(i) Property Investment

Turnover from the property investment segment increased by 23.5% to HK\$23,786,000 for the year ended 31 March 2016 (2015: HK\$19,256,000). The increase in turnover is primarily attributed to the addition of the investment properties, the effect of tenancy renewal, periodic rental adjustments under the clauses of the existing tenancy agreements and new tenants.

The additional investment properties are referred to Eminence Eminence's acquisitions in November 2015 in which a total of 11 properties comprises 6 residential units (3 units in Hong Kong and 3 units in Singapore), 5 industrial units were acquired by Eminence for a total consideration of HK\$240 million.

The Eminence Group has 9 blocks of factory premises and 4 blocks of dormitories with a total gross floor areas of approximately 95,379 sq.m. in Huzhou, PRC.

(ii) Property Development***Project Matheson***

The Company had filed an application to the Lands Tribunal in December 2015 for an order to sell all the undivided shares in a building located at Nos. 11 and 13 Matheson Street, Causeway Bay, Hong Kong aimed at to acquire the last unit ("**Remaining Unit**") of the building for redevelopment purpose. It is in the mediation process between Eminence and

the owner of the Remaining Unit and the sale order may be granted in late 2016 but it depends on, amongst other things, the response time by the owner of Remaining Unit.

Project Inverness

The Project Inverness is a property development project located at No. 14, 16, 18 and 20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong. The general building plan and application for the land exchange were submitted to Buildings Department and Lands Department respectively in January 2016. The foundation work was commenced in January 2016 and is scheduled to be completed in September 2016; the launch of the sale is expected in year 2018.

(iii) *Garment Sourcing and Export Businesses*

For the year ended 31 March 2016, this segment recorded a turnover of HK\$75,208,000 (2015: HK\$172,082,000) representing 56.3% decrease comparing with year 2015, and recorded a loss of HK\$8,067,000 (2015: loss of HK\$3,660,000). This is mainly due to the decrease in sales volume with the major customers, the intensive competition in terms of pricing and transferring of customer orders.

(iv) *Securities Investment*

The Eminence Group has maintained a securities portfolio with a strategy of diversification to reduce effects of price fluctuation of any single securities. For the year ended 31 March 2016, the Eminence Group held trading securities in the amount of HK\$5,944,000 as compared to HK\$91,557,000 as at 31 March 2015, representing a 93.5% decrease. It was derived from: (1) the disposal of trading securities during the year which had a cost or fair value as at 31 March 2015 of HK\$99,532,000; and (2) purchase of trading securities of HK\$20,251,000 during the year; and (3) net decrease in market value in the amount of HK\$6,332,000 of the trading securities. This segment recorded a loss of HK\$11,354,000 during the year (2015: profit of HK\$43,853,000).

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(v) *Loan Financing*

For the year ended 31 March 2016, this segment recorded a turnover of HK\$4,445,000 (2015: HK\$1,151,000) representing 286.2% increase comparing with the year 2015.

Financial Review

	Year ended 31 March		
	2016 HK\$'000	2015 HK\$'000	Change HK\$'000
Turnover	103,439	192,489	(89,050)
Gross profit	36,438	37,317	(879)
Gross profit margin	35.2%	19.4%	15.8%
Distribution and selling expenses	(1,762)	(4,582)	2,820
Administrative expenses	(30,429)	(31,181)	752
Finance costs	(15,099)	(6,541)	(8,558)
(Loss) profit before taxation	(61,238)	35,118	(96,356)
Taxation	(8,030)	(4,032)	(3,998)
(Loss) profit for the year and attributable to owners of Eminence	(69,268)	31,086	(100,354)
Net (loss) profit margin	(67.0%)	16.1%	(83.1%)
(Loss) earnings per share			
Basic	(HK\$0.14)	HK\$100.04	(HK\$100.18)

Revenue

Eminence Group revenue for the year ended 31 March 2016 reduced by 46.3% to HK\$103,439,000 compared with last year. The decrease in revenue was largely caused by the decrease in sales volume in garment sourcing and export businesses, which offset the increase in the rental income of the property investment segment.

Gross Profit/Margin

Gross profit for this year was HK\$36,438,000, a slight decrease of HK\$879,000 or 2.4% compared to the HK\$37,317,000 in last year. Gross profit margin for this year increased from 19.4% to 35.2%.

Loss before Taxation

Loss before taxation for the year ended 31 March 2016 was HK\$61,238,000, as compared with last year profit before taxation of HK\$35,118,000. It was mainly due to loss on changes in fair value of investment properties, impairment losses on properties held for development for sale and fair value loss on investment held for trading, bonds and equity linked notes.

Selling and distribution costs declined from HK\$4,582,000 to HK\$1,762,000, a decrease of 61.5% compared with the last year. It was mainly attributable to the reduction of turnover of garment sourcing and exporting businesses.

Administrative expenses were HK\$30,429,000, a slight decrease of 2.4% over last year of HK\$31,181,000.

During the year under review, there was an increase of 309.6% in the loss on changes in fair value of investment properties to HK\$33,399,000 (2015: loss of HK\$8,155,000).

Finance costs was HK\$15,099,000, increased by HK\$8,558,000 or 130.8% for the year from HK\$6,541,000 in 2015, of which HK\$8,290,000 is the effective interest expense on convertible notes.

(Loss) Profit Attributable to Eminence Shareholders and (Loss) earnings per Eminence Share

Loss attributable to shareholders of Eminence for the year ended 31 March 2016 was HK\$69,268,000, as compared to last year profit of HK\$31,086,000. Net loss margin is increased from 67.0% as compared to net profit margin last year of 16.1%. Taxation charges increased from HK\$4,032,000 in last year to HK\$8,030,000 in this year.

Basic loss per share for the year 31 March 2016 were HK\$0.14 as compared to basic earnings per share HK\$100.04 in last year.

Liquidity and Financial Resources

As at 31 March 2016, total assets of the Eminence Group amounted to HK\$2,574,086,000 (2015: HK\$1,919,181,000). In terms of financial resources as at 31 March 2016, the Eminence Group's total bank balances and cash was HK\$465,279,000 (2015: HK\$204,234,000), of which, approximately RMB50 million (equivalent to approximately HK\$60 million) was tied up in the PRC as investment capital.

As at 31 March 2016, the capital base has been strengthened because of an aggregate net proceeds of HK\$831,000,000 was raised from (1) the completion of issuing the rights shares in April 2015 and November 2015 for a total of HK\$326

million and HK\$505 million respectively; and (2) the completion of issuing a convertible note in June 2015 (“**2015 Convertible Note**”) for a principal amount of HK\$86 million.

As at 31 March 2016, the Eminence Group has total bank borrowings of HK\$100,087,000 (2015: HK\$293,925,000). The Eminence Group’s gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders’ equity was approximately 0.04 (2015: 0.19). As at 31 March 2016, the Eminence Group’s current ratio was 9.1 (2015: 5.4).

The Eminence Group financed its operation primarily with recurring cash flow generated from its operation, proceeds raised from the capital market and bank financing.

Capital Reorganisation

On 6 August 2015, Eminence announced the Eminence Board proposed to effect the capital reorganisation (the “**Capital Reorganisation**”) involving:

- (a) share consolidation: that every ten issued and unissued then existing shares of HK\$0.01 each be consolidated into one consolidated share of par value HK\$0.10 each (the “**Consolidated Eminence Share**”);
- (b) capital reduction: that (i) the issued share capital of Eminence be reduced by the cancellation of the paid-up capital of Eminence E to the extent of HK\$0.09 on each of the then issued Consolidated Eminence Shares such that the par value of each issued Consolidated Eminence Share be reduced from HK\$0.10 to HK\$0.01; (ii) the authorised share capital of Eminence be reduced by reducing the par value of all Consolidated Eminence Shares in the authorised share capital of Eminence from HK\$0.10 each to HK\$0.01 each, resulting in the reduction of the authorised share capital of Eminence from HK\$200,000,000 divided into 2,000,000,000 Consolidated Eminence Shares to HK\$20,000,000 divided into 2,000,000,000 ordinary shares of par value HK\$0.01 each (the “**Adjusted Eminence Shares**”); and (iii) the credit arising from the reduction of the issued share capital of Eminence be transferred to Eminence’s contributed surplus account; and
- (c) authorised capital increase: that the authorised share capital of Eminence be increased from HK\$20,000,000 divided into 2,000,000,000 Adjusted Eminence Shares to HK\$200,000,000 divided into 20,000,000,000 Adjusted Eminence Shares.

Eminence Shareholders’ approval for the Capital Reorganisation has been obtained at the special general meeting of Eminence held on 7 October 2015 and the Capital Reorganisation became effective on 8 October 2015. Further details of the Capital Reorganisation are set out in Eminence’s circular dated 14 September 2015.

Fund Raising

- (i) On 12 June 2015, Eminence completed the issue of 2015 Convertible Note in an aggregate principal amount of HK\$86,000,000 to Madian Star Limited, an independent third party. The net proceeds of HK\$86,000,000 raised from the issue of the 2015 Convertible Note is intended to be applied for the general working capital of the Eminence Group.

For the net proceeds, it has been fully utilized for (1) HK\$25.7 million for the acquisition of the ground floor of No. 15 Matheson Street, Causeway Bay, Hong Kong; (2) HK\$55.9 million for the securities investment; and (3) HK\$4.3 million for the settlement of trade payable.

- (ii) On 6 August 2015, the Eminence Board proposed, upon completion of the Capital Reorganisation, to raise a gross proceeds of HK\$510,000,000 by way of the rights issue of 1,063,437,940 rights shares at a subscription price of HK\$0.48 per rights share on the basis of twenty rights shares for every one Adjusted Eminence Share held on the record date (the “**Rights Issue**”).

Independent shareholders’ approval for the Rights Issue has been obtained at the special general meeting of Eminence held on 7 October 2015 and the dealings of fully paid rights shares was commenced on 9 November 2015. Further details of the Rights Issue are set out in Eminence’s prospectus dated 14 October 2015.

The net proceeds of the Rights Issue was approximately HK\$505 million of which (1) HK\$240 million were intended to purchase the sale shares and sale loan of a properties Eminence Group; (2) HK\$139 million for the repayment of bank loan; (3) HK\$30million to be earmarked as deposit for the acquisition of the remaining unit at ground floor of No. 11 Matheson Street, Causeway Bay, Hong Kong or for potential investment; (4) HK\$70 million to be applied for the segments of securities investment and loan financing; and (5) the remaining HK\$26 million as general corporate purposes.

As at the date of this report, all the net proceeds raised from the Rights Issue have been fully utilised except the amount of HK\$30 million earmarked for the acquisition of the remaining unit in Matheson Street has not been utilised. The actual use of the net proceeds is utilized according to the intended use, of which (1) HK\$240 million for the purchase of the sale shares and the sale loan of a properties Eminence Group; (2) HK\$139 million for the repayment of bank loan; (3) HK\$24.5 million for the securities investment; HK\$45.5 million for loan financing business; (4) HK\$10.3 million for settlement of trade payable; HK\$2 million for daily operating expenses and HK\$13.7 million for repayment of bank loans and finance cost.

APPENDIX IV FINANCIAL INFORMATION OF THE EMINENCE GROUP

As at 31 March 2016, the total number of issued ordinary shares of Eminence was 1,116,609,837 shares (31 March 2015: 25,319,951 shares).

Details of 2014 Convertible Note

Particulars of the 2014 Convertible Note are summarized as follows:

Holder of the Convertible Note:	Goodco Development Limited
Outstanding principal amount as at the date of this report:	HK\$20,000,000
Issue date:	27 March 2014
Maturity date:	27 March 2019
Conversion price as at the date of this report:	HK\$22.72 (subject to adjustment)

Goodco Development Limited is interested in 363,781,194 shares of Eminence, representing approximately 32.58% of the issued share capital of Eminence as at the date of this report. 880,281 shares shall be issued by Eminence to Goodco Development Limited upon conversion of the 2014 Convertible Note in the aggregate principal amount of HK\$20,000,000 in full at the prevailing conversion price of HK\$22.72 per share.

Details of 2015 Convertible Note

On 12 June 2015, Eminence completed the issue of 2015 Convertible Note in an aggregate principal amount of HK\$86,000,000 to Madian Star Limited, an independent third party, at an initial conversion price of HK\$0.85 per share. Pursuant to the adjustment provisions in the terms and conditions of the 2015 Convertible Note, (i) adjustment has been made to the conversion price of the 2015 Convertible Note from HK\$0.85 per share to HK\$1.81 per share with effect from 14 October 2015 as a result of the Capital Reorganisation and the Rights Issue; (ii) further adjustment was made to the conversion price of the 2015 Convertible Note from HK\$1.81 per share to HK\$0.33 per share with effect from 7 January 2016 as a result of the entering into the deed of amendment to revise the conversion price and the same was approved by Eminence Shareholders on 7 January 2016.

Particulars of the 2015 Convertible Note are summarized as follows:

Holder of the Convertible Note:	Madian Star Limited
Outstanding principal amount as at the date of this report:	HK\$86,000,000
Issue date:	12 June 2015
Maturity date:	12 June 2017
Conversion price as at the date of this report:	HK\$0.33 (subject to adjustment)

Charge on Assets

As at 31 March 2016, the Eminence Group had bank loans amounting to HK\$100,087,000 (2015: HK\$293,925,000) which were secured by the investment properties of the Eminence Group with an aggregate net book value of HK\$208,196,000 (2015: HK\$713,027,000).

Material Acquisitions and Disposals

On 6 August 2015, Eminence entered into 4 sets of sale and purchase agreements in relation to the purchase of the sale shares and sale loans of the properties Eminence Group for a total consideration of HK\$240 million from a connected party.

The properties Eminence Group has 11 properties comprises 6 residential units (3 units in Hong Kong and 3 units in Singapore) and 5 industrial units. These transactions were approved by independent Eminence Shareholders on 7 October 2015 and the completion date of these transactions was 11 November 2015.

Save as disclosed above, the Eminence Group had no material acquisitions or disposals of subsidiaries or associated companies for the year ended 31 March 2016.

Exposure on Foreign Exchange Fluctuations

Most of the Eminence Group's revenues and payments are in US dollars, Hong Kong dollars, Singapore dollars and Renminbi. During the year, the Eminence Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed. The directors considered the risk of exposure to the currency fluctuation to be minimal.

Contingent Liabilities

The Eminence Group did not have any significant contingent liabilities as at 31 March 2016 (2015: nil).

Capital Expenditure and Capital Commitments***Capital Expenditure***

For the year ended 31 March 2016, the Eminence Group invested HK\$90,000 (2015: HK\$183,000) in the purchase of property, plant and equipment, and spent HK\$214,936,000 (2015: HK\$291,619,000) on addition of investment properties. These capital expenditures were financed from internal resources and funds from previous fund raising activities of Eminence.

Capital Commitments

As at 31 March 2016, the Eminence Group had capital commitments in respect of capital expenditure contracted for but not provided in respect of investment properties of HK\$5,241,000 (2015: HK\$764,000).

Employees

As at 31 March 2016, the Eminence Group had 40 employees (2015: 39). Staff costs (including directors' emoluments) amounted to HK\$16,501,000 for the year under review (2015: HK\$15,982,000). The Eminence Group remunerates its employees based on their performance, experience and prevailing industry practice.

The Eminence Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the state-sponsored pension scheme operated by the PRC government for the PRC employees. The Eminence Group has a share option scheme to motivate valued employees.

Events after the end of the Reporting Period

Skill Master Investment Limited as purchaser, a wholly-owned subsidiary of Eminence, and an independent third party as vendor, entered into a sale and purchase agreement and a supplemental agreement on 13 June 2016 and 20 June 2016 respectively. Pursuant to the agreements, the purchaser has conditionally agreed to acquire and the seller has conditionally agreed to sell the entire issued share capital and shareholder's loan of Treasure Arts International Eminence Group Limited ("TAI") at an aggregate consideration of HK\$51,981,900. Details of this transaction is published on Eminence's announcement dated 13 June 2016. The completion of this transaction is subject to Eminence Shareholders' approval at the special general meeting of Eminence which is to be held in August 2016; and upon completion TAI will become a subsidiary of Eminence. TAI has entered into 20 provisional sale and purchase agreements with the property owners of 20 units of Fung Wah Factorial Building, Nos. 646, 648 & 648A Castle Peak Road, Kowloon, Hong Kong in early June 2016.

Prospects

The China economy had been grown at a slower rate than the government target of 7% in 2015, the continuous sliding of the Chinese and Hong Kong stock markets in the past months, the financial uncertainties about the pace of increase in interest rates in the United States and the instabilities in the European economy, which are expected to cloud the global economic outlook. As Hong Kong's economic performance hinges on global economic and financial conditions, these uncertain factors may affect property market sentiment in the months ahead. However, we expect the market to remain buoyant with more projects coming onto the market at competitive pricing levels and strong end user demand driving sales.

The Eminence Group will continue to closely monitor market changes, continue to adhere to its principle of steady development and endeavour to improve the development of the Project Inverness so as to increase the asset turnover rate. Meanwhile, the Eminence Group strives to improve the debt structure, adjust the project's management system in respect of management models and construction cost in order to enhance the profitability of the Eminence Group.

The turnover of the garment and sourcing export businesses continues decreasing due to the transferring of customer orders, shrinking profit margins and declining sales, the Eminence Board is now further evaluating this business segment and shall take appropriate action.

For the Project Matheson, it is now in the mediation process with the owner of the remaining unit in the Land (Compulsory Sale for Redevelopment) Ordinance; and the sale order may be granted by the court in about September 2016. For the Project Inverness, the foundation works has commenced and to be completed in September 2016; and it is expected to be launched in the year 2018.

For the securities investment business, Eminence reviews the performance of its existing investment portfolio and evaluating the investment potentials of other investment opportunities available to Eminence. The Company shall make suitable investment decisions which broadens and diversifies its investment portfolio with a view of realizing and/or optimizing the expected return and minimizing the risks.

Looking forward to 2016/2017, the Eminence Group shall emphasize the business segments of property development and securities investment; and to explore further quality investment opportunities to enhance its shareholders wealth.

For the year ended 31 March 2017

Business Review

During the year, the Eminence Group was principally engaged in property investment, comprising the ownership and rental of investment properties, property development, investment in securities and loan financing business.

Geographical Analysis of Turnover

During the year, rental income from the investment properties were derived from properties located in Hong Kong, Singapore and the PRC.

(i) Property Investment

Revenue from the property investment segment increased by 23.5% to HK\$29,384,000 for the year ended 31 March 2017 (2016: HK\$23,786,000). The increase in turnover is primarily attributed to the addition of the investment properties, the effect of tenancy renewal, periodic rental adjustments under the clauses of the existing tenancy agreements and new tenants.

The Eminence Group has 9 blocks of factory premises and 4 blocks of dormitories with a total gross floor areas of approximately 94,351 sq.m. in Huzhou, PRC.

(ii) Property Development

Project Matheson

The Company had filed an application to the Lands Tribunal in December 2015 for an order to sell all the undivided shares in a building located at Nos. 11 and 13 Matheson Street, Causeway Bay, Hong Kong aimed at to acquire the last unit (“**Remaining Unit**”) of the building for redevelopment purpose. A court order was received in January 2017 relating to the trial of Project Matheson for 8 days in early July 2017.

Project Inverness

The Project Inverness is a residential property development project located at No. 14, 16, 18 and 20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong. The construction of the superstructure is in progress and is expected to launch of the sale in year 2018.

(iii) Securities Investment

The Eminence Group has maintained a securities portfolio with a strategy of diversification to reduce effects of price fluctuation of any securities. For the year ended 31 March 2017, the Eminence Group held trading securities in the amount of HK\$4,505,000 as compared to HK\$5,944,000 as at 31 March 2016, representing a 24.2% decrease. It was derived from (1) purchase of trading securities of HK\$935,000 during the year; and (2) net decrease in market value in the amount of HK\$2,374,000 of the trading securities. This segment recorded a loss of HK\$14,705,000 during the year (2016: loss of HK\$11,354,000).

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(iv) Loan Financing

For the year ended 31 March 2017, this segment recorded a revenue of HK\$6,939,000 (2016: HK\$4,445,000) representing 56.1% increase comparing with the year 2016.

Financial Review

	Year ended 31 March		
	2017	2016	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	36,518	103,439	(66,921)
Gross profit	36,347	36,438	(91)
Gross profit margin	99.5%	35.2%	64.3%
Distribution and selling expenses	(13)	(1,762)	1,749
Administrative expenses	(32,911)	(30,429)	(2,482)
Finance costs	(19,213)	(15,099)	(4,114)
Loss before taxation	(29,592)	(61,238)	31,646
Taxation	2,965	(8,030)	10,995
Loss for the year and attributable to owners of Eminence	(26,627)	(69,268)	42,641
Net loss margin	(72.9%)	(67.0%)	(5.9%)
Basic and diluted loss per share	(HK\$0.02)	(HK\$0.14)	HK\$0.12

Revenue

Eminence Group revenue for the year ended 31 March 2017 reduced by 64.7% to HK\$36,518,000 compared with last year. The decrease in revenue was largely caused by the gradually cessation of garment sourcing and export business segment.

Gross Profit/Margin

Gross profit for this year was HK\$36,347,000, a slight decrease of HK\$91,000 or 0.2% compared to the HK\$36,438,000 in last year. Gross profit margin for this year increased from 35.2% to 99.5%.

Loss before Taxation

Loss before taxation for the year ended 31 March 2017 was HK\$29,592,000, as compared with last year loss before taxation of HK\$61,238,000. Distribution and selling expenses declined from HK\$1,762,000 to HK\$13,000, a decrease of 99.3%

compared with the last year. It was mainly attributable to the reduction of revenue of garment sourcing and export business segment. Administrative expenses were HK\$32,911,000, a slight increase of 8.2% over last year of HK\$30,429,000.

During the year under review, there was a decrease of 61.7% in the loss on changes in fair value of investment properties amounting to HK\$12,792,000 (2016: loss of HK\$33,399,000). Finance costs was HK\$19,213,000, increased by HK\$4,114,000 or 27.2% for the year from HK\$15,099,000 in 2016, of which HK\$11,050,000 (2016: HK\$8,290,000) is the effective interest expense on convertible notes.

Loss Attributable to Eminence Shareholders and Loss per Eminence Share

Loss attributable to shareholders of Eminence for the year ended 31 March 2017 was HK\$26,627,000, as compared to last year loss of HK\$69,268,000. Net loss margin is increased to 72.9% as compared to net loss margin last year of 67.0%. For this year, the taxation credit was HK\$2,965,000 whilst last year was taxation charges for HK\$8,030,000. Basic and diluted loss per share for the year 31 March 2017 were HK\$0.02 as compared to basic and diluted loss per share HK\$0.14 in last year.

Liquidity and Financial Resources

As at 31 March 2017, total assets of the Eminence Group amounted to HK\$3,407,650,000 (2016: HK\$2,574,086,000). In terms of financial resources as at 31 March 2017, the Eminence Group's total bank balances and cash was HK\$513,490,000 (including bank deposits with original maturity of more than three months).

As at 31 March 2017, the capital base has been strengthened because an aggregate net proceeds of HK\$145.2 million was raised from the placing of new shares and issuing of a convertible note during the year.

As at 31 March 2017, the Eminence Group has total bank borrowings of HK\$779,700,000 (2016: HK\$100,087,000). The Eminence Group's gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders' equity, was approximately 0.32 (2016: 0.04). As at 31 March 2017, the Eminence Group's current ratio was 3.4 (2016: 9.1).

The Eminence Group financed its operation primarily with recurring cash flow generated from its operation, proceeds raised from the capital market and bank financing.

Fund Raising

During the year ended 31 March 2017, the following corporate actions had taken with the aim to strengthen the Eminence Group's financial position and prospects, hence, enhance the shareholders' value:

APPENDIX IV FINANCIAL INFORMATION OF THE EMINENCE GROUP

- (i) On 1 March 2017, Eminence entered into a subscription agreement with Goodco Development Limited as subscriber, a substantial shareholder of Eminence, to subscribe the 2017 convertible note (“**2017CB**”) issued by Eminence for a principal amount of HK\$16 million. The 2017CB is a 3% per annum coupon interest for 5 years with the conversion price of HK\$0.16 per share. The transaction was approved by the independent shareholders of Eminence on 26 April 2017 and the 2017CB certificate was issued on 11 May 2017. The net proceeds is approximately HK\$15.5 million which is intended to be applied for general working capital of the Eminence Group. As at the date of this report, all the net proceeds have not been utilised yet.
- (ii) On 3 January 2017, Eminence entered into a placing agreement with a placing agent, pursuant to which Eminence has agreed to allot and issue under the specific mandate, and the placing agent has agreed to place 350,000,000 placing shares to independent investors at a placing price of HK\$0.16 per share under a specific mandate and it was approved by the independent shareholders of Eminence on 13 February 2017. The placing was completed on 27 February 2017 and the entire 350,000,000 placing shares have been successfully placed. The net proceeds is approximately HK\$55,440,000 is intended to be applied for the acquisition of the remaining units of the Fung Wah Factorial Building. As at the date of this report, all the net proceeds have not been utilised yet.
- (iii) On 13 October 2016, Eminence entered into an underwriting agreement with an underwriter and proposed to raise not less than HK\$435.6 million and not more than HK\$598.3 million by way of the rights issue by issuing not less than 4,685,496,177 rights shares and not more than 5,808,955,200 rights shares at a subscription price of HK\$0.103 per rights share on the basis of 3 rights shares for every one share held on the record date. However, the resolution was not passed by the independent shareholders on 15 December 2016 and the proposed rights issue was lapsed.
- (iv) On 8 September 2016, Eminence entered into a placing agreement with a placing agent, pursuant to which Eminence has agreed to allot and issue under the general mandate, and the placing agent has agreed to place 223,000,000 placing shares to independent investors at a placing price of HK\$0.18 per share. The placing was completed on 22 September 2016 and the entire 223,000,000 placing shares have been successfully placed. The aggregate net proceeds amounted to approximately HK\$39.7 million and intended to be applied towards appropriate acquisition and investment opportunities of the Eminence Group and the considerations thereof and general working capital of the Eminence Group.

As at the date of this report, all the net proceeds have been fully utilised according to the intended use of which (i) HK\$1.0 million for loan financing business; (ii) HK\$1.5 million for payment of operating expenses; and (iii)

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HK\$7.0 million for the acquisition of subsidiary; and the balance of HK\$30.2 million for the acquisition of property units of Fung Wah Factorial Building.

- (v) On 13 July 2016, Eminence entered into a subscription agreement with Able Merchant Limited as subscriber, an independent third party, to subscribe the 2016 convertible note (“**2016CB**”) issued by the amount of HK\$50 million. The 2016CB is a 2% per annum coupon interest for 3 years with the conversion price of HK\$0.225. The issuance was completed on 27 July 2016. The net proceeds is approximately HK\$50 million which is intended to be applied towards appropriate acquisition and investment opportunities of the Eminence Group and the considerations thereof and general working capital of the Eminence Group. As at the date of this report, the net proceeds have been fully utilised according to the intended use of which (i) HK\$3.4 million for payment of operating expenses; (ii) HK\$10.0 million for loan financing business; and (iii) HK\$36.6 million for the acquisition of property units of Fung Wah Factorial Building.

New Eminence Shares Issued

As at 31 March 2017, the total number of issued ordinary shares of Eminence was 1,911,832,059 shares (31 March 2016: 1,116,609,837 shares). A total of 795,222,222 new shares were issued during the year.

- (i) On 22 September 2016, 223,000,000 new shares were issued at the price of HK\$0.18 per share pursuant to the placing agreement entered into with the placing agent on 8 September 2016. Details of the placing agreement are set out in Eminence’s announcement dated 8 September 2016.
- (ii) On 27 February 2017, 350,000,000 new shares were issued at the price of HK\$0.16 per share pursuant to the placing agreement entered into with the placing agent on 3 January 2017. Details of the placing agreement are set out in Eminence’s announcement dated 3 January 2017.
- (iii) During the year, 222,222,222 new shares were issued pursuant to the exercise of conversion rights of 2016CB.

Details of 2016CB and 2017CB

Details of 2016CB

Particulars of the 2016CB are summarized as follows:

Holder of the 2016CB:	Able Merchant Limited
Principal amount:	HK\$50,000,000
Issue date:	27 July 2016
Maturity date:	26 July 2019
Conversion price:	HK\$0.225 (subject to adjustments)

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All the conversion rights attached to 2016CB have been fully exercised by 7 November 2016.

Details of 2017CB

On 1 March 2017, Eminence entered into a subscription agreement with Goodco Development Limited, a substantial shareholder of Eminence, to subscribe the 2017CB issued by the Company for a principal amount of HK\$16 million. The 2017CB is a 3% per annum coupon interest for 5 years with the conversion price of HK\$0.16 per share. The transaction was approved by the independent shareholders of Eminence on 26 April 2017 and the convertible note certificate was issued on 11 May 2017.

Particulars of the 2017CB summarized as follows:

Holder of the 2017CB:	Goodco Development Limited
Principal amount:	HK\$16,000,000
Issue date:	11 May 2017
Maturity date:	11 May 2022
Conversion price:	HK\$0.16 (subject to adjustments)

As at the date of this report, no exercise of the conversion rights was made since the issue date.

Charge on Assets

As at 31 March 2017, the Eminence Group had bank loans amounting to HK\$779,700,000 (2016: HK\$100,087,000) which were secured by the Eminence Group's investment properties and properties held for development for sale with an aggregate net book value of HK\$785,873,000 and HK\$597,868,000 respectively (2016: HK\$208,196,000 and nil).

Material Acquisitions and Disposals

1st Acquisition of FW Building

On 13 June 2016 and 20 June 2016, Skill Master Investments Limited ("**Skill Master**"), a wholly-owned subsidiary of Eminence, as purchaser, entered into a sale and purchase agreement and a supplemental agreement with an independent third party to acquire an investment holding company known as Treasure Arts International Limited for a consideration of HK\$51,981,900. Its sole assets are having 20 property purchase agreements with the owners of 20 units of Fung Wah Factorial Building of Nos. 646, 648 and 648A Castle Peak Road, Kowloon, Hong Kong ("**FW Building**").

The acquisition shall pave way for the Eminence Group to acquire the remaining 14 property units and then to redevelop the site of the FW Building. Details of the acquisition are set out in Eminence's announcement dated 13 June 2016 and 13 July 2016. The transaction was approved by shareholders of Eminence on 1 August 2016.

2nd Acquisition of FW Building

On 3 August 2016, Skill Master as purchaser entered into a sale and purchase agreement with an independent third party to acquire an investment holding company known as Daily Leader Limited for a consideration of HK\$64,525,000. Its sole assets are having 5 property purchase agreements with the owners of 5 units of FW Building.

The acquisition shall pave way for the Eminence Group to acquire the remaining 9 property units and then to redevelop the site of the FW Building. Details of the acquisition are set out in Eminence's announcement dated 3 August 2016. The transaction was approved by the shareholders of Eminence on 7 October 2016.

Acquisition of WK Building

On 28 March 2017, Wealth Plan Development Limited, an indirect wholly-owned subsidiary of Eminence, as purchaser entered into 17 property purchase agreement with the owners of 18 units and the car parking areas of Wing Cheong Industrial Building ("**WK Building**") of No. 121 King Lam Street, Kowloon, Hong Kong for a consideration of HK\$226,053,000. The acquisition shall pave way for the Eminence Group to acquire the remaining 6 property units and then to redevelop the site of WK Building.

Details of the acquisition are set out in Eminence's announcement dated 29 March 2017. A special general meeting of Eminence was held on 5 June 2017 and such acquisition was approved by shareholders of Eminence. Save as disclosed above, the Eminence Group had no material acquisitions or disposals of subsidiaries or associated companies for the year ended 31 March 2017.

Exposure on Foreign Exchange Fluctuations

Most of the Eminence Group's revenues and payments are in United States dollars, Hong Kong dollars, Singapore dollars and Renminbi. During the year, the Eminence Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed. The directors considered the risk of exposure to the currency fluctuation to be minimal.

Contingent Liabilities

The Eminence Group did not have any significant contingent liabilities as at 31 March 2017 (2016: nil).

Capital Expenditure and Capital Commitments***Capital Expenditure***

For the year ended 31 March 2017, the Eminence Group invested HK\$3,558,000 (2016: HK\$90,000) in the purchase of Inverness Road Property, plant and equipment, and spent HK\$14,779,000 (2016: HK\$214,936,000) on addition of investment properties. These capital expenditures were financed from internal resources and funds from previous fund raising activities of Eminence.

Capital Commitments

As at 31 March 2017, the Eminence Group had capital commitments in respect of capital expenditure contracted for but not provided in respect of investment properties of HK\$9,842,000 (2016: HK\$5,241,000).

Employees

As at 31 March 2017, the Eminence Group had 42 employees (2016: 40). Staff costs (including directors' emoluments) amounted to HK\$15,264,000 for the year under review (2016: HK\$16,501,000). The Eminence Group remunerates its employees based on their performance, experience and prevailing industry practice. The Eminence Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the state-sponsored pension scheme operated by the PRC government for the PRC employees. The Eminence Group has a share option scheme to motivate valued employees.

Prospects

The Eminence Group will continue focusing its efforts in the development of its existing principal businesses: (1) property investment; (2) property development; (3) securities investment; (4) loan financing business and other potential projects with a view to providing steady returns for its shareholders and bring fruitful growth to the Eminence Group.

In Hong Kong, despite additional measures imposed by the government to cool the housing market, the impact on the property market was only short-lived. With the prevailing low interest rates and the record of high transacted land prices in the recent land auctions, sentiment in the primary property market has been holding up well, with home buyers' confidence remaining generally strong.

In addition, the Eminence Group will further extend its principal business and direct its resources to loan financing services and it is expected that such business will continue to be part of the main income stream of the Eminence Group. Meanwhile, we will also maintain astringent financial policy and a prudent cash flow management to ensure reasonable liquidity for the Eminence Group's operations as well as for its existing and future investments.

We believe that, in such a volatile economic environment, these operation strategies will enable the Eminence Group to maintain its competitiveness and mitigate risks, thereby ensuring the Eminence Group sustainable growth.

For the year ended 31 March 2018

BUSINESS REVIEW

For the year ended 31 March 2018, the Eminence Group's revenue amounted to HK\$49,605,000 compared to HK\$36,518,000 last year, which represented an increase of HK\$13,087,000 or approximately 35.8% as compared to last year. There was a profit for the year attributable to the owners of Eminence of HK\$53,539,000, as compared to a loss for the year attributable to owners of Eminence of HK\$26,627,000 last year. The profit during the year was mainly due to the gain arising from changes in fair value of investment properties amounting to HK\$72,337,000 as compared to a fair value loss of HK\$12,792,000 in last year.

The basic and diluted earnings per share amounted to HK2.31 cents and HK2.15 cents respectively for the year ended 31 March 2018, as compared with basic and diluted loss per share of HK1.95 cents and HK1.95 cents respectively for the corresponding period last year. The review of the individual business segments of the Eminence Group are set out below.

Property Investment

During the year, the total rental income of the Eminence Group recorded HK\$33,012,000 (2017: HK\$29,384,000), representing a 12.3% increase over the last year. The increase is primarily due to the contributions from newly acquired properties, as well as continued management of tenant mix and rental reversion at major investment properties during the year under review.

Hong Kong

In Hong Kong, the Eminence Group owns residential units, commercial units and industrial units with a total carrying amount of HK\$1,156,000,000 as at 31 March 2018 (2017: HK\$910,903,000). For the year ended 31 March 2018, the Eminence Group recorded property rental income of HK\$16,516,000 (2017: HK\$14,892,000).

Singapore

In Singapore, the Eminence Group owns 3 residential units with a total carrying amount of HK\$162,456,000 as at 31 March 2018 (2017: HK\$142,298,000). For the year ended 31 March 2018, the Eminence Group received property rental income of HK\$2,719,000 (2017: HK\$3,086,000).

People's Republic of China (the "PRC")

In Huzhou City, Zhejiang Province of the PRC, the Eminence Group has 12 blocks of factory premises and 4 blocks of dormitories with a total carrying amount of HK\$338,177,000 at 31 March 2018 (2017: HK\$267,168,000). For the year ended 31 March 2018, the Eminence Group recorded property rental income of HK\$13,777,000 (2017: HK\$11,406,000).

Property Development

(i) Project Inverness

As at 31 March 2018, the Eminence Group wholly owned this development project located at No. 14, 16, 18 and 20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong. This development project is a residential property with a total gross floor areas ("GFA") of approximately 47,000 square feet ("sq.ft."). Construction is expected to be completed in the third quarter of 2018 and is expected to launch of the sale in the second quarter of 2019. This is our last residential development project, the Eminence Group will focus on commercial property projects in the future.

(ii) Project Matheson

The Eminence Group owns 12 out of 14 units of a non-industrial building at Nos. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong (the "**Matheson Building**"). On 29 September 2017, the Eminence Group successfully acquired through auction under Chapter 545 of the 2 remaining units of Matheson Building (the "**Remaining Units**"). Following the acquisition of the Remaining Units, the Eminence Group had 100% ownership of the Matheson Building with a site area of approximately 2,857 sq.ft.. The whole site is under development construction. Redevelopment is expected to be completed in the third quarter of 2021.

Investment in Securities

During the year under review, the Eminence Group has adopted a prudent attitude in its securities investment. The Eminence Group had acquired listed securities under held for trading investments and disposed of some shares in the investment portfolio. The Eminence Group recorded fair value loss on held for– trading investments of HK\$2,195,000 (2017: HK\$2,374,000). The impairment loss on available-for-sale investments was HK\$3,406,000 (2017: HK\$14,176,000) and greatly reduced as compared with last year. As a result, the Eminence Group reported a reduced segment loss of HK\$1,316,000 (2017: segment loss of HK\$14,705,000) during the year under review. The Eminence Group received dividend income from the listed securities under held for trading investments and available-for-sale investments of HK\$41,000 and HK\$4,496,000 respectively during the year under review.

The Eminence Group considers that the prospects in respect of the shares still held-for-trading investments are healthy. The Eminence Board understands that the performance of the investments may be affected by the degree of volatility in the Hong

APPENDIX IV FINANCIAL INFORMATION OF THE EMINENCE GROUP

Kong stock market and subject to other external factors that may affect their values. Accordingly, the Eminence Group will continue to maintain a diversified portfolio of investment of different segments of markets to minimise the possible financial risks. Also, the Eminence Board will closely monitor the performance progress of the investment portfolio from time to time.

At 31 March 2018, the Eminence Group held securities for trading investments amounting to HK\$3,436,000 (2017: HK\$4,505,000). It was derived from (i) the purchase of held for trading investments of HK\$2,540,000 during the year under review; and (ii) the securities held for trading investments which had a cost or fair value as at 31 March 2018 of HK\$1,414,000; and (iii) net decrease in market value in the amount of HK\$2,195,000 of held for trading investments. This value represented an investment portfolio comprising 3 (2017: 4) equity securities which are listed on the Main Eminence Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Available-for-sale investments

The Eminence Group also held significant investments under available-for-sale investments as at 31 March 2018 as below:

Company name/ (stock code)	No. of shares held	Approximate percentage held to the total issued share capital of the company/ investment %	Investment cost/cost of acquisition HK\$'000	Dividend income for the year ended 31 March 2018 HK\$'000	Fair value gain for the year ended 31 March 2018 HK\$'000	Fair value at 31 March 2018 HK\$'000	Approximate percentage of total assets of the Eminence Group at 31 March 2018 %
Hong Kong Exchanges and Clearing Limited ("HKEx") (388) (Note)	686,523	0.06	132,434	3,095	40,756	175,063	4.36
Other listed shares*	–	–	31,663	1,401	4,189	32,150	0.80
Grand total:			<u>164,097</u>	<u>4,496</u>	<u>44,945</u>	<u>207,213</u>	<u>5.16</u>

* Other listed shares included 3 companies whose shares are listed on the Main Eminence Board of the Stock Exchange.

Note: The Company's shareholders passed a resolution at the special general meeting on 7 March 2018 to grant of disposal mandate of HKEx (“**HKEx Disposal Mandate**”) to the Directors for the disposal of all or part of the interests in HKEx for a 12-month period commencing 7 March 2018. During the period from 7 March 2018 and up to the date of this report, Eminence did not dispose of any shares in HKEx pursuant to the HKEx Disposal Mandate and therefore, the Eminence Group beneficially owns a total of 686,523 shares in HKEx as at the date of this report. Details are set out in Eminence's circular dated 12 February 2018.

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Loan Financing

During the year, the Eminence Group recorded interest income from the loan financing business amounting to HK\$16,593,000 (2017: HK\$6,939,000), representing approximately 33.5% of the total revenue of the Eminence Group. The segment profit of loan financing business was HK\$9,208,000 for the year ended 31 March 2018 (2017: HK\$6,774,000). The outstanding principal amount of loans receivable as at 31 March 2018 was HK\$265,297,000 (2017: HK\$264,395,000). During the year under review, the Eminence Group did not record any doubtful or bad debt in its loan financing business. The Eminence Group will continue to develop in this segment in order to earn a higher interest income.

	2018	2017	Change
	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>
Revenue	49,605	36,518	13,087
Gross profit	46,725	36,347	10,378
Gross profit margin	94.2%	99.5%	(5.3%)
Distribution and selling expenses	40	13	27
Administrative expenses	35,525	32,911	2,614
Finance costs	31,373	19,213	12,160
Profit/(loss) before taxation	54,608	(29,592)	84,200
Taxation	(1,069)	2,965	(4,034)
Profit/(loss) for the year and attributable to owners of Eminence	53,539	(26,627)	80,166
Net profit/(loss) margin	107.9%	(72.9%)	180.8%
Basic earnings (loss) per share	HK2.31 cents	(HK1.95 cents)	HK4.26 cents

Revenue

For the year ended 31 March 2018, the Eminence Group's revenue increased by 35.8% to HK\$49,605,000 as compared with last year which was derived from the increase in the rental income from the property investment business and interest income from the loan financing business.

Gross Profit/Margin

Gross profit of the Eminence Group for the year ended 31 March 2018 was HK\$46,725,000, representing an increase of approximately 28.6% or HK\$10,378,000 as compared to HK\$36,347,000 in 2017. Gross profit margin for the year reached

APPENDIX IV FINANCIAL INFORMATION OF THE EMINENCE GROUP

approximately 94.2% (2017: 99.5%), representing a decrease of 5.3% percentage over the last financial year, as a result of the increase in cost of services rendered, which contributed a lower gross profit margin.

Profit/Loss before Taxation

Profit before taxation of the Eminence Group for the year ended 31 March 2018 was HK\$54,608,000, as compared with last year loss before taxation of HK\$29,592,000.

Distribution and selling expenses of the Eminence Group increased from HK\$13,000 to HK\$40,000, an increase of 207.7% as compared with the last year. Administrative expenses of the Eminence Group were HK\$35,525,000, a slight increase of 7.9% over last year of HK\$32,911,000. During the year under review, there was a gain on changes in fair value of investment properties amounting to HK\$72,337,000 (2017: loss of HK\$12,792,000).

Finance costs of the Eminence Group was HK\$31,373,000, increased by HK\$12,160,000 or 63.3% for the year from HK\$19,213,000 in 2017, of which HK\$17,128,000 (2017: HK\$11,050,000) is the effective interest expense on convertible notes.

Profit/Loss Attributable to owners of Eminence and Earnings/Loss per Eminence Share

Profit attributable to owners of Eminence for the year ended 31 March 2018 was HK\$53,539,000, as compared to last year loss of HK\$26,627,000. Net profit margin is 107.9% as compared to net loss margin last year of 72.9%.

For this year, the taxation charge was HK\$1,069,000 whilst last year was taxation credit for HK\$2,965,000.

Basic and diluted earnings per share for the year 31 March 2018 were HK2.31 cents and HK2.15 cents respectively as compared to basic and diluted loss per share HK1.95 cents in last year 2017.

Liquidity and Financial Resources

At 31 March 2018, total assets of the Eminence Group amounted to HK\$4,011,917,000 (2017: HK\$3,407,650,000). In terms of financial resources as at 31 March 2018, the Eminence Group's total bank balances and cash was HK\$125,422,000.

At 31 March 2018, the capital base has been strengthened because an aggregate net proceeds of HK\$94,280,000 was raised from the placing of new shares and issuing of convertible notes during the year. At 31 March 2018, the Eminence Group has total bank borrowings of HK\$1,092,660,000 (2017: HK\$779,700,000). The Eminence Group's gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders' equity, was approximately 0.40 (2017: 0.32). As at 31 March 2018, the

Eminence Group's current ratio was 3.5 (2017: 3.4). The Eminence Group financed its operations primarily with recurring cash flow generated from its operations, proceeds raised from the capital market and bank financing.

Fund Raising Activities

Issue of shares during the year

- (1) On 3 July 2017, Eminence and a placing agent entered into a placing agreement pursuant to which the placing agent agreed to place, on a best effort basis, up to 325,000,000 placing shares at a price of HK\$0.08 per placing share with the aggregate nominal value of HK\$3,250,000 under the refreshed general mandate granted to the Directors by a resolution of the independent shareholders of Eminence at the special general meeting of Eminence held on 26 April 2017, to not less than six placees, who were independent professional, institutional or individual investors and who and whose ultimate beneficial owners were independent third parties. The closing price of the shares on 3 July 2017 was HK\$0.08. The placing was completed on 19 July 2017 and the net proceeds (representing net issue price of approximately HK\$0.079 per placing share) were approximately HK\$25,740,000, which were intended to be used for the acquisition of the Remaining Units of Matheson Building. The net proceeds were fully utilised during the year as intended. The Directors were of the view that the placing was fair and reasonable and in the interest of Eminence and its shareholders as a whole. Details of which are set out in Eminence's announcements dated 3 July 2017 and 19 July 2017.
- (2) On 30 November 2017, Eminence and a placing agent entered into a placing agreement pursuant to which the placing agent agreed to place, on a best effort basis, up to 447,000,000 placing shares at a price of HK\$0.055 per placing share with the aggregate nominal value of HK\$4,470,000 under the general mandate granted to the Directors by a resolution of the shareholders of Eminence at the annual general meeting of Eminence held on 24 July 2017, to not less than six placees, who were independent professional, institutional or individual investors and who and whose ultimate beneficial owners were independent third parties. The closing price of the shares on 30 November 2017 was HK\$0.065. The placing was completed on 21 February 2018 and the net proceeds (representing net issue price of approximately HK\$0.054 per placing share) were approximately HK\$24,340,000, which were intended to be used for the acquisition of Fung Wah Factorial Building ("**FW Building**"). The net proceeds were fully utilised during the year as intended. The Directors were of the view that the placing was fair and reasonable and in the interest of Eminence and its shareholders as a whole. Details of which are set out in Eminence's announcements dated 30 November 2017, 20 December 2017, 31 January 2018 and 21 February 2018.

Issue of convertible notes during the year

- (1) On 1 March 2017, Eminence as an issuer and Goodco Development Limited (the “**Subscriber**”), a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Easyknit, as a subscriber entered into the subscription agreement, pursuant to which Eminence has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the convertible notes in the aggregate principal amount of HK\$16,000,000 (the “**2017CN1**”) which may be converted into 100,000,000 conversion shares at the conversion price of HK\$0.16 per conversion share (collectively, the “**Subscription1**”). The interest rate of 3.0% per annum of the 2017CN1 on the outstanding principal amount. The Subscription1 was completed on 11 May 2017 and the maturity date is 11 May 2022. The net proceeds were approximately HK\$15,500,000, which were intended to be used for the general working capital of the Eminence Group. The net proceeds were fully utilised during the year as to HK\$9.2 million for repayment of bank loan and interest and HK\$6.3 million for payment of general operating expenses. Details of which are set out in Eminence’s announcements dated 1 March 2017, 28 April 2017 and 11 May 2017 and Eminence’s circular dated 5 April 2017.
- (2) On 7 August 2017, Eminence as an issuer and the Subscriber entered into the subscription agreement, pursuant to which Eminence has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the convertible notes in the aggregate principal amount of HK\$28,200,000 (the “**2017CN2**”) which may be converted into 470,000,000 conversion shares at the conversion price of HK\$0.06 per conversion share (collectively, the “**Subscription2**”). The interest rate of 3.0% per annum of the 2017CN2 on the outstanding principal amount. The Subscription2 was completed on 26 September 2017 and the maturity date is 26 September 2020. The net proceeds were approximately HK\$27,800,000, which were intended to be used for the general working capital of the Eminence Group. The net proceeds were fully utilised during the year as intended. Details of which are set out in Eminence announcements dated 7 August 2017 and 26 September 2017 and Eminence circular dated 28 August 2017. On 18 October 2017, the Subscriber exercised its right attached to the 2017CN2 for the amount of HK\$16,920,000 to convert 282,000,000 conversion shares of Eminence and where are issued and allotted to the Subscriber on the same date.

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Previous fund raising activity

During the year, Eminence further utilised the net proceeds from the placing took place on 27 February 2017. Updates on the actual use of proceeds during the year are as follows:

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use as at 31 March 2018
3 January 2017	Placing of 350,000,000 shares under specific mandate	HK\$55 million	Acquisition of FW Building	Fully applied as intended

Charges of Assets

As at 31 March 2018, the Eminence Group had bank loans amounting to HK\$1,092,660,000 (2017: HK\$779,700,000) which were secured by the Eminence Group's investment properties and properties held for development for sale with an aggregate net book value of HK\$986,740,000 and HK\$1,634,964,000 respectively (2017: HK\$785,873,000 and HK\$597,868,000).

Material Acquisitions

Acquisition of the Remaining Units of the Matheson Building

Prior to the date of the auction, the Eminence Group already owns 12 units out of 14 units of the entire Matheson Building; and the value of the Remaining Units represents 42% of the bidding price. The auction was held on 29 September 2017 and the Eminence Group won the bid. Therefore the consideration for the acquisition of the Remaining Units by the Eminence Group is HK\$185,220,000 (i.e. 42% of the final bidding price), it should be financed partly by internal resources of Eminence and partly by bank financing. The completion date for the acquisition took place on 30 October 2017. The Directors have a view that the Matheson Building site will be redeveloped together with an adjacent property already owned by Eminence into a new composite commercial building and it shall reap the benefits of scale both in terms of development costs, and future sales or leasing of such properties.

Details of the acquisition are set out in Eminence's announcements dated 22 August 2017 and 29 September 2017 and Eminence's circular dated 12 September 2017.

Acquisition of FW Building

On 14 August and 15 August 2017, Treasure Arts International Eminence Group Limited ("Treasure Arts"), an indirect wholly-owned subsidiary of Eminence, as the purchaser, entered into an agreement for sale and purchase and a provisional agreement

with the respective sellers who are independent third parties respectively, pursuant to which amongst other things, Treasure Arts conditionally agreed to acquire, and the sellers agreed to sell workshop A, 1/F of the FW Building, shares 4/120th undivided shares of the entire FW Building with a total saleable area of approximately 1,910 sq.ft. and workshop D, ground floor of the FW Building, shares 6/120th undivided shares of the entire FW Building with a total saleable area of approximately 1,637 sq.ft. at a total consideration of HK\$81,300,000. The completion of the acquisition took place in mid-November 2017.

On 20 November 2017, Treasure Arts as the purchaser, entered into an agreement for sale and purchase agreement with the sellers who are independent third parties respectively, pursuant to which amongst other things, Treasure Arts conditionally agreed to acquire, and the sellers agreed to sell workshop space A1, ground floor of the FW Building at a total consideration of HK\$53,000,000. The Inverness Road Property was divided into 3 portions, portion-1 and portion-2 are leased with tenancies and portion-3 is self-occupied by the sellers. In addition, Chan Kai Wah and Chan Choi Fong as the licensee shall have the rights after the completion date to take up a licence to occupy Portion-3 for a monthly license fee of HK\$30,000 (inclusive of rates, Government rent and management fees and payment of HK\$116,790, payable every 3 months, being temporary waiver for change of land user) until 30 June 2018 and the licensee further has the option to extend the licence period to 31 December 2018. The property is currently on lease for HK\$61,100 per month (inclusive of government rent and management fees, exclusive of other outgoings), amount of deposit held under the tenancy agreements was HK\$122,200 and currently used for commercial purpose. The completion of the acquisition took place on 9 February 2018.

Details of the acquisitions are set out in Eminence's announcements dated 16 August 2017, 29 September 2017 and 23 November 2017 and Eminence's circulars dated 29 September 2017 and 4 January 2018.

Acquisition of Wing Cheong Building

On 28 March 2017, the Eminence Group through Wealth Plan Development Limited ("**Wealth Plan**"), an indirect wholly-owned subsidiary of Eminence, entered into the 17 provisional agreements with each of the 17 vendors, which are independent third parties, pursuant to which Wealth Plan has agreed to acquire the respective properties from the relevant vendors for an aggregate cash consideration of HK\$226,052,500. The properties included 18 industrial units and 2 car park units of the Wing Cheong Building (collectively, the "**Wing Cheong Properties**") and 11 units of the Wing Cheong Properties are subject to the tenancy agreements that by the terms may still be in force as at 28 March 2017. Such tenancies would be expired between April 2017 and April 2020. The acquisition of the Wing Cheong Properties took place on 28 June 2017. Details of which are set out in Eminence's announcement dated 29 March 2017 and Eminence's circular dated 12 May 2017.

Acquisition of Capital Centre

On 11 January 2018, Lion Capital Investment Limited (“**Lion Capital**”), a wholly-owned subsidiary of Eminence, entered into the provisional agreement with Brilliant Circle Holdings International Limited, a company incorporated in the Cayman Islands with limited liability and the shares are listed on the Main Eminence Board of the Stock Exchange (stock code: 1008), as vendor (the “**Vendor**”), pursuant to which (i) Lion Capital has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the sale interests (the “**Sale Interests**”) (comprising the entire issued share capital of Empire Sail Limited (the “**Target Company**” and its subsidiaries, collectively, the “**Target Eminence Group**”), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor and the shareholders’ loan due and owing by the Target Eminence Group to the Vendor and Vendor’s subsidiaries amounted to approximately HK\$221 million (the “**Sale Loans**”)) for a consideration of HK\$295 million (subject to adjustments); and (ii) Lion Capital has agreed, subject to completion, to grant a lease back to the Vendor or its nominee for each of Unit 1201A of Capital Centre, No. 151 Gloucester Road, Hong Kong (the “**Property 1**”) and Unit 1202 of Capital Centre, No. 151 Gloucester Road, Hong Kong (the “**Property 2**”) at the monthly rentals of HK\$256,240 and HK\$62,559 respectively for two years commencing from the next date immediately following the completion date. The Target Company owned the office units 01, 02, 03, 05, 06, 07, 08 and 09 on the 12th Floor (with a total saleable area of approximately 11,316 sq.ft.) and car parking spaces numbers 329, 330 and 331 on the 3rd Floor of Capital Centre, No. 151 Gloucester Road, Hong Kong. The acquisition of the Target Eminence Group took place on 30 April 2018. Details of which are set out in Eminence’s announcement dated 11 January 2018 and Eminence’s circular dated 15 March 2018.

Save as disclosed above, the Eminence Group had no material acquisitions of subsidiaries or associated companies during the year.

Exposure on Foreign Exchange Fluctuations

Most of the Eminence Group’s revenues and payments are in United States dollars, Hong Kong dollars, Singapore dollars and Renminbi. During the year, the Eminence Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed. The Directors considered the risk of exposure to the currency fluctuation to be minimal.

Contingent Liabilities

The Eminence Group did not have any significant contingent liabilities as at 31 March 2018 (2017: nil).

Capital Expenditure and Capital Commitments***Capital Expenditure***

For the year ended 31 March 2018, the Eminence Group invested HK\$1,433,000 (2017: HK\$3,558,000) in the purchase of property, plant and equipment, and spent HK\$201,710,000 (2017: HK\$13,778,000) on addition of investment properties. These capital expenditures were financed from internal resources and funds from previous fund raising activities of Eminence.

Capital Commitments

As at 31 March 2018, the Eminence Group had capital commitments in respect of capital expenditure contracted for but not provided in respect of investment properties of HK\$265,975,000 (2017: HK\$9,842,000).

EMPLOYEES

As at 31 March 2018, the Eminence Group had 46 employees (2017: 42). Staff costs (including directors' emoluments) amounted to HK\$17,065,000 for the year under review (2017: HK\$15,264,000). The Eminence Group remunerates its employees based on their performance, experience and prevailing industry practice. The Eminence Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the state sponsored pension scheme operated by the PRC government for the PRC employees. The Eminence Group has a share option scheme to motivate valued employees.

PROSPECTS

Hong Kong's property market is expected to grow on the back of a healthy economy, rising confidence in economic growth and continuous inflow of foreign capital. Driven by strong investment appetite and abundant liquidity, property prices continue to beat market expectation in 2017 and expect to move up moderately in 2018 although buyer's sentiment may be affected by the advent of the U.S. interest rate upcycle. Office market will continue to benefit from a strong GDP growth and optimistic business outlook by major industries while the high rental cost will make the companies look for alternative solutions in emerging business districts. As for the industrial market, the new revitalization policy will further enhance the industrial property values which will attract new investments. The Eminence Group expects rising demand and shortage in the supply of newly built commercial buildings in Hong Kong for the near future. The Eminence Group will proactively look for feasible development projects to enrich the Eminence Group's land bank and launch property project(s) into the market with an accurate product positioning as well as effective sales and marketing strategy.

Through the fund raising activities in the capital market, the Eminence Group has successfully raised funds for property development projects and general working capital with relatively low financing cost as compared with bank financing. The Eminence Group remains optimistic about the property market in Hong Kong which is expected to grow

steadily and will place emphasis on strengthening the property development and investment businesses by enhancing efficiency and diversifying the development project portfolio to include various types of commercial properties in prime locations. This will ensure the Eminence Group and work to the best interest of the Eminence Group and its shareholders as a whole.

For the six months ended 30 September 2018

BUSINESS REVIEW

During the Period, the Group was principally engaged in the property investment, comprising the ownership and rental of investment properties, property development, investment in securities and loan financing business.

(i) Property Investment

During the Period, the total rental income of the Group increased by 24.9% to HK\$20,183,000 (2017 Period: HK\$16,154,000). The increase was primarily due to the contributions from newly acquired properties, as well as continued management of tenant mix and rental reversion of major investment properties during the Period.

Hong Kong

In Hong Kong, the Group owns residential units, commercial units and industrial units with a total carrying amount of HK\$615,801,000 as at 30 September 2018 (31 March 2018: HK\$1,156,000,000). During the Period, the Group recorded property rental income of HK\$10,464,000 (2017 Period: HK\$8,160,000).

Singapore

In Singapore, the Group owns 3 residential units with a total carrying amount of HK\$156,944,000 as at 30 September 2018 (31 March 2018: HK\$162,456,000). For the Period, the Group received property rental income of HK\$1,422,000 (2017 Period: HK\$1,332,000).

People's Republic of China (the "PRC")

In Huzhou City, Zhejiang Province of the PRC, the Group has 16 blocks with the 4 blocks under development of factory premises and 4 blocks of dormitories with a total carrying amount of HK\$334,575,000 as at 30 September 2018 (31 March 2018: HK\$338,177,000). For the Period, the Group received property rental income of HK\$8,297,000 (2017 Period: HK\$6,662,000).

(ii) Property Development**(i) Project Inverness**

This project is the development of a site at Nos. 14-20 Inverness Road, Kowloon Tong, Hong Kong which provides a total gross floor area of approximately 4,320 square metres. As at 30 September 2018, the development project has commenced and is in progress. The site will be developed into a luxurious residential property with car parks, and is expected to be completed before the end of 2019.

(ii) Project Matheson

As at 30 September 2018, the Group, through its subsidiary, is the registered owner of No. 11, 13 and 15 Matheson Street, Causeway, Hong Kong (the “Matheson Building”). The Matheson Building is a composite 6-storey building with 14 units, with a site area of approximately 265.42 square metres. After redevelopment, the site will provide a gross floor area of approximately 3,982.08 square metres of commercial/office mixed-use building. Currently, the redevelopment is in full swing and is expected to be completed in the fourth quarter of 2021.

(iii) Project Fung Wah

As at 30 September 2018, the Group owns approximately 90.83% of Fung Wah Factorial Building which is situated at Nos. 646, 648 & 648A Castle Peak Road, Kowloon, Hong Kong (the “Fung Wah Building”). The Group intends to make an application to the Lands Tribunal for a compulsory sale order under the Land (Compulsory Sale for Redevelopment) Ordinance in the very near future in order to acquire the remaining units of the building and, if successful, redevelop the building into a commercial/mixed development building with car parking spaces. The acquisition of Fung Wah Building and redevelopment is favorable to the Company, as the Company is planning to acquire Easy Tower which is situated at No. 609 of Tai Nan West Street and is adjacent to Fung Wah which will significantly enhance the development of the combined sites. Details of the acquisition of Easy Tower, please refer to the section “Events after the end of the reporting period”.

As at 30 September 2018, the 16 units of the Fung Wah Building are leased out and the total rental income for the Period was approximately HK\$2,902,000.

(iv) Project Wing Cheong

As at 30 September 2018, the Group, through its wholly-owned subsidiary, owns approximately 86.36% of Wing Cheong Factory Building which is situated at No. 121 King Lam Street, Kowloon, Hong Kong (the “Wing Cheong Building”) with a site area of approximately 5,483 sq.ft. The Company has filed an application under the Land (Compulsory Sale for Redevelopment) Ordinance to

the Lands Tribunal for an order to auction all the undivided shares of the Wing Cheong Building for the purposes of redevelopment (the “Compulsory Sale”), details of which are set out in the Company’s announcement dated 12 September 2018. If the Group successfully acquires the entire lot, the Group plans to develop the site into an industrial mixed-use building with car parking spaces.

As at 30 September 2018, the 15 industrial units of the Wing Cheong Building are leased out and the total rental income for the Period was approximately HK\$2,140,000.

(v) *Project Capital Centre*

The Group, through its wholly-owned subsidiary, owns office units 01, 02, 03, 05, 06, 07, 08 and 09 on the 12th Floor (with a total saleable area of approximately 11,316 square feet) of Capital Centre, No. 151 Gloucester Road, Hong Kong (“Capital Centre”) and carparking spaces numbers 329, 330 and 331 on the 3rd Floor of Capital Centre. These properties were acquired for investment purposes on 30 April 2018.

However, due to the trade war, the equity and financial markets have materially changed. To give the Company maximum flexibility, the Company plans to auction these properties (as a whole) through open tender subject to a minimum price of no less than HK\$310 million. For further details, please refer to the Company’s announcement dated 4 October 2018.

(iii) Securities Investment

During the period under review, the Group adopted a prudent attitude in its securities investments. The Group had acquired listed securities investments and disposed of some shares in the investment portfolio. The Group recorded fair value loss securities investments of HK\$25,483,000 (2017 Period: HK\$1,229,000). As a result, the Group reported segment loss of HK\$25,567,000 (2017 Period: segment loss of HK\$1,828,000) during the period under review. The Group received dividend income from the listed securities investments of HK\$2,971,000 during the period under review. The Group considers the prospects in respect of the investments are healthy. The Board understands that the performance of the investments may be affected by volatility in the Hong Kong stock market and subject to other external factors. Accordingly, the Group will continue to maintain a diversified portfolio of investment of different segments of markets to minimise the possible financial risks. The Group will closely monitor the performance progress of the investment portfolio from time to time.

At 30 September 2018, the Group held securities investments amounting to HK\$39,129,000 (31 March 2018: HK\$210,649,000). It was derived from (i) the purchase of securities investments of HK\$14,368,000 during the period under review; (ii) the disposal of securities investments which had a cost or fair value as at 31 March 2018 of HK\$160,405,000; and (iii) net decrease in market value in the amount of

APPENDIX IV FINANCIAL INFORMATION OF THE EMINENCE GROUP

HK\$25,483,000 of securities investments. This value represented an investment portfolio comprising 5 (31 March 2018: 5) equity securities which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

(iv) Loan Financing

For the Period, this segment recorded a revenue of HK\$9,035,000 (2017 Period: HK\$8,718,000) representing 3.6% increase comparing with 2017 Period.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2018, total assets of the Group amounted to HK\$4,375,322,000 (31 March 2018: HK\$4,011,917,000). In terms of financial resources as at 30 September 2018, the Group’s total bank balances and cash was HK\$123,066,000 (31 March 2018: HK\$125,422,000).

As at 30 September 2018, the Group has total bank borrowings of HK\$1,347,515,000 (31 March 2018: HK\$1,092,660,000). The Group’s gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders’ equity was approximately 0.51 (31 March 2018: 0.40). As at 30 September 2018, the Group’s current ratio was 4.8 (31 March 2018: 3.5).

The Group financed its operations primarily with recurring cash flow generated from its operations, proceeds raised from the capital market and bank financing.

Outstanding Convertible Notes

(1) 2014 Convertible Note (“2014CN”)

Particulars of the 2014 Convertible Note are summarized as follows:

Holder of the 2014CN	:	Goodco Development Limited
Outstanding principal amount as at the date of this report	:	HK\$20,000,000
Issue date	:	27 March 2014
Maturity date	:	27 March 2019
Conversion price	:	HK\$22.72

As at the date of this report, the outstanding principal amount of 2014CN is HK\$20,000,000.

(2) 2015 Convertible Note (“2015CN”)

Pursuant to the amendments of the 2015CN terms under the Second Deed of Amendment dated 1 March 2017 and the shareholders’ approval on 26 April 2017, the exercise period and the conversion price of 2015CN was revised to 7 years and HK\$0.16 per conversion share respectively; and the interest rate was revised to 3% per annum payable semi-annually.

Particulars of the 2015CN are summarized as follows:

Holder of the 2015CN	:	Madian Star Limited
Principal amount	:	HK\$86,000,000
Issue date	:	12 June 2015
Maturity date	:	12 June 2022
Conversion price	:	HK\$0.16

As at the date of this report, no exercise of the conversion rights of 2015CN was made since the issue date, the outstanding principal amount is HK\$86,000,000.

(3) 2017 Convertible Note 1 (“2017CN1”)

Particulars of the 2017CN1 are summarized as follows:

Holder of the 2017CN1	:	Goodco Development Limited
Principal amount	:	HK\$16,000,000
Issue date	:	11 May 2017
Maturity date	:	11 May 2022
Conversion price	:	HK\$0.16

As at the date of this report, no exercise of the conversion rights of 2017CN1 was made since the issue date, the outstanding principal amount is HK\$16,000,000.

(4) 2017 Convertible Note 2 (“2017CN2”)

Particulars of the 2017CN2 are summarized as follows:

Holder of the 2017CN2	:	Goodco Development Limited
Principal amount	:	HK\$28,200,000
Issue date	:	26 September 2017
Maturity date	:	26 September 2020
Conversion price	:	HK\$0.06

On 18 October 2017, Goodco Development Limited exercised the rights attached to the 2017CN2 for the amount of HK\$16,920,000 to subscribe 282,000,000 shares of the Company and these shares were issued and allotted on 18 October 2017.

As at the date of this report, the outstanding principal amount of 2017CN2 is HK\$11,280,000.

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Charges of Assets

As at 30 September 2018, the Group had bank loans amounting to HK\$1,347,515,000 (31 March 2018: HK\$1,092,660,000) which were secured by the Group's properties with an aggregate net book value of HK\$615,800,000 (investment properties) and HK\$2,711,284,000 (properties held for development for sale) respectively (31 March 2018: HK\$986,740,000 and HK\$1,634,964,000).

Exposure of Foreign Exchange Fluctuations

Most of the Group's revenues and payments are in Hong Kong dollars, United States dollars, Singapore dollars and Renminbi. During the Period, the Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 September 2018 (31 March 2018: nil).

Capital Expenditures and Capital Commitments

During the Period, the Group invested HK\$638,000 (2017 Period: HK\$1,120,000) in the purchase of property, plant and equipment, and spent HK\$282,996,000 (2017 Period: HK\$10,519,000) on addition of investment properties. These capital expenditures were financed from internal resources and funds from previous fund raising activities of the Company.

As at 30 September 2018, the Group had capital commitments in respect of capital expenditure contracted for but not provided of approximately HK\$23,863,000 (31 March 2018: HK\$265,975,000).

During the Period, there was a loss of HK\$2,288,000 on changes in fair value of investment properties (2017 Period: gain of HK\$2,013,000).

Finance Costs

Finance costs was HK\$19,420,000, increased by HK\$3,162,000 or 19.4% for the Period from HK\$16,258,000 in the 2017 Period, of which HK\$8,193,000 (2017 Period HK\$9,567,000) was the effective interest expense on convertible notes.

PROSPECTS

The financial market in Hong Kong performed well in the first half 2018 while the economy is expected to continue to grow steadily. However given the trade war between US and China, Hong Kong's equity and financial environment will continue to be affected. Interest rates will also affect the property market inevitably. Although the

APPENDIX IV FINANCIAL INFORMATION OF THE EMINENCE GROUP

trade war is not expected to be resolved in the near future, the Group is prudently optimistic about the prospects of the property and securities market in Hong Kong and believes these markets will continue to grow over the longer term.

In line with its investment strategy and policy, the Company will continue to identify appropriate investment and divestment opportunities that fit the objective and investment criteria of the Company, and will continue to seek opportunities to replenish its property portfolio as an ongoing business exercise. The Board would exercise utmost caution, so as to bring positive impact on the operating and financial results to the Company in the foreseeable future.

The following is the text of a report received from the Easyknit Sale Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



德勤

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF
WELLMAKE INVESTMENTS LIMITED**

**TO THE DIRECTORS OF EMINENCE ENTERPRISE LIMITED AND THE
DIRECTORS OF EASYKNIT INTERNATIONAL HOLDINGS LIMITED**

Introduction

We report on the historical financial information of Wellmake Investments Limited (the "Easyknit Sale Company") set out on pages V-4 to V-40, which comprises the statements of financial position as at 31 March 2016, 2017, 2018 and 30 September 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the three years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2018 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages V-4 to V-40 forms an integral part of this report, which has been prepared for inclusion in the circular issued by Eminence Enterprise Limited ("Eminence") and Easyknit International Holdings Limited ("Easyknit") jointly dated 12 February 2019 (the "Circular") in connection with, among others, Eminence's proposed acquisition of all the issued shares of the Easyknit Sale Company.

Directors' responsibility for the Historical Financial Information

The directors of the Easyknit Sale Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Easyknit Sale Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of Eminence and the directors of Easyknit are responsible for the contents of the Circular in which the Historical Financial Information of the Easyknit Sale Company is included, and such information is prepared based on accounting policies materially consistent with those of Eminence and Easyknit.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Easyknit Sale Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Easyknit Sale Company’s financial position as at 31 March 2016, 2017, 2018 and 30 September 2018, and of the Easyknit Sale Company’s financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Easyknit Sale Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 September 2017 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Easyknit Sale Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page V-4 have been made.

Dividends

We refer to Note 11 to the Historical Financial Information which contains information about the dividends paid by the Easyknit Sale Company in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 February 2019

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

HISTORICAL FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on previously issued financial statements of the Easyknit Sale Company for the Relevant Periods. The previously issued financial statements were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$").

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March			Six months ended 30 September	
	<i>NOTES</i>	2016	2017	2018	2017	2018
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
					<i>(unaudited)</i>	
Revenue	6	17,661,155	13,475,268	13,067,808	6,458,404	6,726,901
Other income	7	725,958	229,207	25,805	14,055	28,331
Gain on changes in fair value of investment properties		10,300,000	13,900,000	36,675,200	8,350,000	11,888,450
Gain on fair value changes of investments held for trading		3,934,591	–	–	–	–
Administrative expenses		(2,707,879)	(2,419,861)	(3,037,012)	(1,206,675)	(2,116,861)
Write off of deposits paid	9	(5,529,170)	–	–	–	–
Finance costs	8	<u>(4,598,585)</u>	<u>(3,604,328)</u>	<u>(3,478,540)</u>	<u>(1,621,086)</u>	<u>(2,205,333)</u>
Profit before taxation	9	19,786,070	21,580,286	43,253,261	11,994,698	14,321,488
Taxation	10	<u>(2,954,333)</u>	<u>(1,435,086)</u>	<u>(299,304)</u>	<u>(295,609)</u>	<u>(60,821)</u>
Profit and total comprehensive income for the year/period		<u>16,831,737</u>	<u>20,145,200</u>	<u>42,953,957</u>	<u>11,699,089</u>	<u>14,260,667</u>

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

STATEMENTS OF FINANCIAL POSITION

		As at 31 March		As at 30 September	
	NOTES	2016 HK\$	2017 HK\$	2018 HK\$	2018 HK\$
Non-current assets					
Investment properties	13	493,100,000	406,900,000	447,000,000	460,000,000
Property, plant and equipment	14	4,814,449	221,811	168,567	145,921
Deposit paid for investment properties		<u>—</u>	<u>—</u>	<u>1,969,810</u>	<u>2,225,310</u>
		<u>497,914,449</u>	<u>407,121,811</u>	<u>449,138,377</u>	<u>462,371,231</u>
Current assets					
Trade and other receivables	15	736,982	602,412	926,860	2,186,756
Amount due from ultimate holding company	16	220,325,305	315,995,155	175,425,252	—
Amounts due from fellow subsidiaries	17	5,420,137	8,306,995	6,494,073	6,090,268
Tax recoverable		<u>—</u>	<u>—</u>	<u>287,361</u>	<u>226,540</u>
Bank balances and cash		<u>336,775</u>	<u>64,238</u>	<u>91,376</u>	<u>127,374</u>
		<u>226,819,199</u>	<u>324,968,800</u>	<u>183,224,922</u>	<u>8,630,938</u>
Current liabilities					
Rental deposits received		4,398,043	3,706,244	3,964,119	4,043,746
Trade and other payables	18	4,800,986	4,104,250	2,489,363	744,270
Amount due to ultimate holding company	16	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,009,976</u>
Amounts due to fellow subsidiaries	17	133,610,103	132,455,563	—	249,254
Secured bank borrowings	19	8,679,790	8,890,060	8,905,154	8,420,007
Tax payable		<u>1,616,035</u>	<u>108,652</u>	<u>—</u>	<u>—</u>
		<u>153,104,957</u>	<u>149,264,769</u>	<u>15,358,636</u>	<u>19,467,253</u>
Net current assets (liabilities)		<u>73,714,242</u>	<u>175,704,031</u>	<u>167,866,286</u>	<u>(10,836,315)</u>
Total assets less current liabilities		<u>571,628,691</u>	<u>582,825,842</u>	<u>617,004,663</u>	<u>451,534,916</u>

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

		As at 31 March			As at 30 September
	NOTES	2016 HK\$	2017 HK\$	2018 HK\$	2018 HK\$
Non-current liabilities					
Secured bank borrowings	19	168,278,145	159,456,372	150,681,236	146,901,822
Deferred taxation	20	<u>126,276</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>168,404,421</u>	<u>159,456,372</u>	<u>150,681,236</u>	<u>146,901,822</u>
Net assets		<u><u>403,224,270</u></u>	<u><u>423,369,470</u></u>	<u><u>466,323,427</u></u>	<u><u>304,633,094</u></u>
Capital and reserves					
Share capital	21	10,000	10,000	10,000	10,000
Accumulated profits		<u>403,214,270</u>	<u>423,359,470</u>	<u>466,313,427</u>	<u>304,623,094</u>
Total equity		<u><u>403,224,270</u></u>	<u><u>423,369,470</u></u>	<u><u>466,323,427</u></u>	<u><u>304,633,094</u></u>

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$</i>	Accumulated profits <i>HK\$</i>	Total <i>HK\$</i>
At 1 April 2015	10,000	386,382,533	386,392,533
Profit and total comprehensive income for the year	<u>–</u>	<u>16,831,737</u>	<u>16,831,737</u>
At 31 March 2016	10,000	403,214,270	403,224,270
Profit and total comprehensive income for the year	<u>–</u>	<u>20,145,200</u>	<u>20,145,200</u>
At 31 March 2017	10,000	423,359,470	423,369,470
Profit and total comprehensive income for the year	<u>–</u>	<u>42,953,957</u>	<u>42,953,957</u>
At 31 March 2018	10,000	466,313,427	466,323,427
Profit and total comprehensive income for the period	<u>–</u>	<u>14,260,667</u>	<u>14,260,667</u>
Dividends paid (note 11)	<u>–</u>	<u>(175,951,000)</u>	<u>(175,951,000)</u>
At 30 September 2018	<u><u>10,000</u></u>	<u><u>304,623,094</u></u>	<u><u>304,633,094</u></u>
(Unaudited)			
At 1 April 2017	10,000	423,359,470	423,369,470
Profit and total comprehensive income for the period	<u>–</u>	<u>11,699,089</u>	<u>11,699,089</u>
At 30 September 2017	<u><u>10,000</u></u>	<u><u>435,058,559</u></u>	<u><u>435,068,559</u></u>

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

STATEMENTS OF CASH FLOWS

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK\$	HK\$	HK\$	HK\$	HK\$
	<i>(unaudited)</i>				
Cash flows from operating activities					
Profit before taxation	19,786,070	21,580,286	43,253,261	11,994,698	14,321,488
Adjustments for:					
Interest income	(461,430)	(30,519)	–	–	–
Interest expense	4,598,585	3,604,328	3,478,540	1,621,086	2,205,333
Depreciation of property, plant and equipment	185,326	116,765	53,244	30,599	22,646
Loss on disposal of property, plant and equipment	–	5,214	–	–	–
Dividend income from listed investments	(222,176)	–	–	–	–
Gain on changes in fair value of investment properties	(10,300,000)	(13,900,000)	(36,675,200)	(8,350,000)	(11,888,450)
Gain on changes in fair value of investments held for trading	(3,934,591)	–	–	–	–
Write off of deposits paid	5,529,170	–	–	–	–
Operating cash flows before movements in working capital	15,180,954	11,376,074	10,109,845	5,296,383	4,661,017
Decrease in investments held for trading	23,667,670	–	–	–	–
Decrease (increase) in trade and other receivables	89,197	134,570	(324,448)	57,199	(1,259,896)
(Decrease) increase in rental deposits received	(2,492,680)	(691,799)	257,875	64,044	79,627
Decrease in trade and other payables	(212,387)	(696,736)	(1,614,887)	(708,289)	(1,745,093)

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK\$	HK\$	HK\$	HK\$	HK\$
	<i>(unaudited)</i>				
Cash generated from operations	36,232,754	10,122,109	8,428,385	4,709,337	1,735,655
Hong Kong Profits Tax paid	(1,212,022)	(3,068,745)	(695,317)	(695,317)	–
Dividend received from investments held for trading	222,176	–	–	–	–
Net cash from operating activities	35,242,908	7,053,364	7,733,068	4,014,020	1,735,655
Cash flows from investing activities					
Repayment from ultimate holding company	–	15,204,821	140,569,903	2,140,171	15,265,851
Advance to ultimate holding company	(19,426,800)	–	–	–	(9,781,623)
Repayment from fellow subsidiaries	70,605,587	9,261,799	14,208,560	8,547,970	7,418,273
Advance to fellow subsidiaries	(10,943,124)	(12,148,657)	(12,395,638)	(5,866,083)	(7,014,468)
Interest received	461,430	30,519	–	–	–
Additions of investment properties	–	–	(3,424,800)	(2,550,000)	(1,111,550)
Deposit paid for investment properties	–	–	(1,969,810)	–	(255,500)
Deposits paid for acquisition of property, plant and equipment	(1,280,000)	(6,077,557)	–	–	–
Purchase of property, plant and equipment	(6,800)	(226,455)	–	–	–
Net cash from investing activities	39,410,293	6,044,470	136,988,215	2,272,058	4,520,983
Cash flows from financing activities					
Advance from fellow subsidiaries	138,254,885	40,336	159,652	17,781	249,254
Repayment to fellow subsidiaries	(4,644,782)	(1,194,876)	(132,615,215)	(107,097)	–
Repayment of bank borrowings	(203,488,853)	(8,611,503)	(8,760,042)	(4,402,270)	(4,264,561)
Interest paid	(4,598,585)	(3,604,328)	(3,478,540)	(1,621,086)	(2,205,333)

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK\$	HK\$	HK\$	HK\$	HK\$
				<i>(unaudited)</i>	
Net cash used in financing activities	<u>(74,477,335)</u>	<u>(13,370,371)</u>	<u>(144,694,145)</u>	<u>(6,112,672)</u>	<u>(6,220,640)</u>
Net increase (decrease) in cash and cash equivalents	175,866	(272,537)	27,138	173,406	35,998
Cash and cash equivalents at beginning of the year/period	<u>160,909</u>	<u>336,775</u>	<u>64,238</u>	<u>64,238</u>	<u>91,376</u>
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	<u><u>336,775</u></u>	<u><u>64,238</u></u>	<u><u>91,376</u></u>	<u><u>237,644</u></u>	<u><u>127,374</u></u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL**

The Easyknit Sale Company is a private company incorporated in Hong Kong with limited liability. Its immediate holding company is Easyknit Properties Holdings Limited, a company incorporated in the British Virgin Islands. Its ultimate holding company is Easyknit, an exempted company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and the principal place of business of the Easyknit Sale Company is Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

The Easyknit Sale Company is engaged in property investment.

The Historical Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of the Easyknit Sale Company.

The Historical Financial Information does not constitute the Easyknit Sale Company's statutory annual financial statements for any of the financial years ended 31 March 2016, 2017 and 2018 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As the Easyknit Sale Company is a private company, the Easyknit Sale Company is not required to deliver its statutory financial statements to the Registrar of Companies, and has not done so.

The Easyknit Sale Company's auditor has reported on these statutory annual financial statements for all three years. The independent auditor's report for each of these three years was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis; and do not contain a statement under either Sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs issued by the HKICPA.

As at 30 September 2018, the Easyknit Sale Company's current liabilities exceeded its current assets by approximately HK\$10,836,000. The liquidity of the Easyknit Sale Company is primarily dependent on its ability to maintain adequate cash inflows from operations, and repayment from group companies to meet its financial obligations as and when they fall due. The Historical Financial Information has been prepared on a going concern basis because Easyknit has agreed to provide adequate funds for the Easyknit Sale Company to meet in full its financial obligations as they fall due for a period not less than twelve months from the date of this report, as long as the Easyknit Sale Company is a subsidiary of Easyknit, and Eminence has agreed to provide adequate funds for the Easyknit Sale Company to meet in full its financial obligations as they fall due for a period not less than twelve months from the date of this report when the Easyknit Sale Company becomes a subsidiary of Eminence.

3. APPLICATION OF NEW AND REVISED HKFRSs

For the purpose of preparing the Historical Financial Information for the Relevant Periods, the Easyknit Sale Company has consistently applied the HKFRSs, which are effective for the accounting period beginning on 1 April 2018 throughout the Relevant Periods except that the Easyknit Sale Company has adopted HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" since 1 April 2018 and amendments to HKAS 7 "Disclosure Initiative" since 1 April 2017.

Application of new and amendments to HKFRSs

The Easyknit Sale Company has applied, for the first time, a number of new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the period beginning on or after 1 April 2018 or 2017 for the preparation of the Historical Financial Information.

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

Except for the new and amendments to HKFRSs and interpretations mentioned below, the directors of the Easyknit Sale Company anticipate that the application of all other new and amendments to HKFRSs and interpretations have no material impact on the Historical Financial Information.

a) Impacts on application of HKFRS 15 “Revenue from Contracts with Customers”

The adoption of HKFRS 15 has had no material impact on the Easyknit Sale Company’s financial performance and positions for the six months ended 30 September 2018.

b) Impacts on application of HKFRS 9 “Financial Instruments”

For the six months ended 30 September 2018, the Easyknit Sale Company has applied HKFRS 9 “Financial Instruments” and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit loss (“ECL”) for financial assets and (3) general hedge accounting.

The Easyknit Sale Company has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial recognition) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018.

As at 1 April 2018, the directors of the Easyknit Sale Company reviewed and assessed the Easyknit Sale Company’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

The directors of the Easyknit Sale Company considered that the additional ECL allowance for other receivables, amount due from ultimate holding company, amounts due from fellow subsidiaries and bank balances as at 1 April 2018 measured under the ECL model is insignificant.

Except for financial assets which are subject to ECL, all other financial assets and liabilities are measured on the same bases as under HKAS 39 “Financial Instruments: Recognition and Measurement”.

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

New and revised HKFRSs in issue but not yet effective

At the date of this report, the following new and revised standards and amendments have been issued which are not yet effective:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and Hong Kong Accounting Standards (“HKAS”) 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 January 2020.

Except for the new HKFRSs mentioned below, the directors of the Easyknit Sale Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the future financial statements of the Easyknit Sale Company.

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are currently presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Easyknit Sale Company.

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Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 September 2018, the Easyknit Sale Company has non-cancellable operating lease commitments of HK\$163,742 as disclosed in note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Easyknit Sale Company will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Easyknit Sale Company intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement Contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore the Easyknit Sale Company will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for investment properties, which are measured at fair values, at the end of each reporting period, as explained in the accounting policies set out below.

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

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

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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

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

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- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below:

Revenue recognition (for the three years ended 31 March 2016, 2017 and 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable from letting of properties in the normal course of business.

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

Dividend income from equity investments is recognised when the Easyknit Sale Company's rights to receive payment have been established.

Revenue recognition (for the six months ended 30 September 2018)

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Easyknit Sale Company satisfies a performance obligation

Under HKFRS 15, the Easyknit Sale Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Easyknit Sale Company's performance as the Easyknit Sale Company performs;
- the Easyknit Sale Company's performance creates and enhances an asset that the customer controls as the Easyknit Sale Company performs; or
- the Easyknit Sale Company's performance does not create an asset with an alternative use to the Easyknit Sale Company and the Easyknit Sale Company has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

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A contract liability represents the Easyknit Sale Company's obligation to transfer goods or services to a customer for which the Easyknit Sale Company has received consideration (or an amount of consideration is due) from the customer.

The Easyknit Sale Company's policy for recognition of revenue from operating leases during the Relevant Periods is described in the accounting policy for leasing below.

Borrowing costs

Borrowing costs not attributable to qualifying assets are recognised in profit or loss in the period in which they are incurred.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Property, plant and equipment

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

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

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

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment.

Financial instruments

Financial assets and financial liabilities are recognised when the Easyknit Sale Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or

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

Classification and subsequent measurement of financial assets (for the three years ended 31 March 2016, 2017 and 2018)

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Easyknit Sale Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit and loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from ultimate holding company, amounts due from fellow subsidiaries and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Classification and subsequent measurement of financial assets (for the six months ended 30 September 2018)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

The Easyknit Sale Company's recognised financial assets (including trade and other receivables, amount due from ultimate holding company, amounts due from fellow subsidiaries and bank balances and cash) are subsequently measured at amortised cost.

Impairment of financial assets (for the three years ended 31 March 2016, 2017 and 2018)

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an item of trade receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Impairment under ECL model (for the six months ended 30 September 2018)

The Easyknit Sale Company recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including other receivables, amount due from ultimate holding company, amounts due from fellow subsidiaries and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are made based on the Easyknit Sale Company's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions and assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For other receivables, amount due from ultimate holding company, amounts due from fellow subsidiaries and bank balances, the Easyknit Sale Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Easyknit Sale Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in likelihood or risk of a default occurring since initial recognition.

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Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities (including rental deposits received, trade and other payables, amount due to ultimate holding company, amounts due to fellow subsidiaries and secured bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Easyknit Sale Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the Easyknit Sale Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment of non-financial assets

At the end of each reporting period, the Easyknit Sale Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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

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

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

Leasing

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

The Easyknit Sale Company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Easyknit Sale Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before taxation as reported in the statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Easyknit Sale Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Easyknit Sale Company expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit scheme

Payments to the Hong Kong Mandatory Provident Fund Scheme are charged as expenses when employees have rendered services entitling them to the contribution.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Easyknit Sale Company's accounting policies, which are described in note 4, the directors of the Easyknit Sale Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Easyknit Sale Company have made in the process of applying the Easyknit Sale Company's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Easyknit Sale Company's management has reviewed the Easyknit Sale Company's investment properties portfolios and concluded that while the Easyknit Sale Company's investment properties located in Hong Kong are depreciable, they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Easyknit Sale Company's deferred taxation arising from these investment properties located in Hong Kong, the Easyknit Sale Company's management determined that the presumption that investment properties measured using the fair value model are recovered through sale is not rebutted.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Investment properties

Some of the Easyknit Sale Company's assets are measured at fair value for financial reporting purposes. The Easyknit Sale Company has a designated team to determine the appropriate valuation techniques and key inputs for fair value measurements.

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In estimating the fair value of the Easyknit Sale Company's investment properties, the Easyknit Sale Company uses market-observable data to the extent they are available. Where Level 1 inputs are not available, the Easyknit Sale Company engages an independent firm of qualified professional property valuers to perform valuation of the Easyknit Sale Company's investment properties. At the end of each reporting period, the Easyknit Sale Company's management works closely with the independent firm of qualified professional property valuers to establish and determine the appropriate valuation techniques and key inputs for fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the Easyknit Sale Company's directors. Information about the valuation techniques and key inputs used in determining the fair value of the Easyknit Sale Company's investment properties is disclosed in note 13.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents rental income received or receivable from property leasing during the Relevant Periods.

Financial information provided to the chief operating decision maker, being the directors of the Easyknit Sale Company, for performance assessment and resources allocation is based on the overall operating results and financial position of the Easyknit Sale Company which constitute the statements of profit or loss and other comprehensive income and the statements of financial position. Financial information regarding the segment for the Relevant Periods can be made reference to the results as set out in the statements of profit or loss and other comprehensive income.

Geographical information

As all external revenue for the Relevant Periods and non-current assets are either derived from or located in Hong Kong, an analysis of the revenue and non-current assets by geographical location is not presented.

Information about major customers

There is no customer contributing over 10% of the total revenue of the Easyknit Sale Company for the Relevant Periods.

7. OTHER INCOME

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK\$	HK\$	HK\$	HK\$	HK\$
				(unaudited)	
Interest income					
– fellow subsidiary	433,052	–	–	–	–
– others	28,378	30,519	–	–	–
	461,430	30,519	–	–	–
Dividend income from listed investments	222,176	–	–	–	–
Sundry income	42,352	198,688	25,805	14,055	28,331
	<u>725,958</u>	<u>229,207</u>	<u>25,805</u>	<u>14,055</u>	<u>28,331</u>

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

8. FINANCE COSTS

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK\$	HK\$	HK\$	HK\$	HK\$
				(unaudited)	
Interest on bank borrowings	<u>4,598,585</u>	<u>3,604,328</u>	<u>3,478,540</u>	<u>1,621,086</u>	<u>2,205,333</u>

9. PROFIT BEFORE TAXATION

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK\$	HK\$	HK\$	HK\$	HK\$
				(unaudited)	
Profit before taxation has been arrived at after charging:					
Directors' emoluments					
Fees	–	–	–	–	–
Retirement benefits scheme contribution	–	–	–	–	–
Other emoluments	55,156	40,336	12,633	12,633	–
Contributions to retirement benefit scheme for other staff	5,632	3,514	10,440	3,413	18,213
Other staff costs (note (a))	<u>196,130</u>	<u>130,136</u>	<u>709,611</u>	<u>139,748</u>	<u>1,049,410</u>
Total staff costs (note (b))	<u>256,918</u>	<u>173,986</u>	<u>732,684</u>	<u>155,794</u>	<u>1,067,623</u>
Auditor's remuneration	150,000	148,000	144,000	72,000	21,000
Depreciation of property, plant and equipment	185,326	116,765	53,244	30,599	22,646
Loss on disposal of property, plant and equipment	–	5,214	–	–	–
Write off of deposits paid (note (c))	5,529,170	–	–	–	–
and after crediting:					
Gross rental income from investment properties	17,661,155	13,475,268	13,067,808	6,458,404	6,726,901
Less: Direct operating expenses from investment properties that generated rental income	<u>(610,825)</u>	<u>(613,105)</u>	<u>(535,214)</u>	<u>(256,203)</u>	<u>(311,854)</u>
	<u>17,050,330</u>	<u>12,862,163</u>	<u>12,532,594</u>	<u>6,202,201</u>	<u>6,415,047</u>

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

Notes:

- (a) The amount includes nil, nil, HK\$309,700, nil (unaudited) and HK\$306,785 for the years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2017 and 2018, respectively, in respect of rentals for staff quarters.
- (b) The Easyknit Sale Company, being an indirect subsidiary of Easyknit, does not employ any staff. The staff costs (including directors' emoluments) disclosed above represent amount allocated by Easyknit to the Easyknit Sale Company and recognised in the Easyknit Sale Company's profit or loss. Therefore, further analysis of emoluments to the Easyknit Sale Company's directors, by name, and the five highest paid individuals is not considered meaningful by the Easyknit Sale Company's directors having regard to the purpose of preparing the Historical Financial Information.
- (c) The amount represents write off of deposits paid in relation to a potential redevelopment project.

10. TAXATION

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK\$	HK\$	HK\$	HK\$	HK\$
				(unaudited)	
The taxation charge (credit) comprises:					
Hong Kong Profits Tax					
Charge for the year/period	2,828,057	2,194,601	329,572	295,609	60,821
Overprovision in prior years/periods	—	(633,239)	(30,268)	—	—
	2,828,057	1,561,362	299,304	295,609	60,821
Deferred taxation					
Charge (credit) for the year/period (note 20)	126,276	(126,276)	—	—	—
	<u>2,954,333</u>	<u>1,435,086</u>	<u>299,304</u>	<u>295,609</u>	<u>60,821</u>

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered Profits Tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. The two-tiered Profits Tax rate applies to years of assessment commencing on or after 1 April 2018. The Easyknit Sale Company's directors are of the opinion that the Easyknit Sale Company will not be nominated by its ultimate holding company to be chargeable at the two-tiered rates.

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

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Taxation for the Relevant Periods can be reconciled to the profit before taxation per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK\$	HK\$	HK\$	HK\$	HK\$
	<i>(unaudited)</i>				
Profit before taxation	<u>19,786,070</u>	<u>21,580,286</u>	<u>43,253,261</u>	<u>11,994,698</u>	<u>14,321,488</u>
Tax charge of Hong Kong Profits Tax at 16.5%	3,264,701	3,560,747	7,136,788	1,979,125	2,363,046
Tax effect of expenses not deductible for tax purposes	912,313	860	–	–	–
Tax effect of income not taxable for tax purposes	(1,736,159)	(2,293,500)	(6,051,408)	(1,377,750)	(1,961,594)
Tax effect of utilisation of tax losses previously not recognised	(782,397)	–	–	–	–
Tax effect of unrealised gain on investments held for trading	1,020,676	–	–	–	–
Overprovision in prior years/periods	–	(633,239)	(30,268)	–	–
Others	<u>275,199</u>	<u>800,218</u>	<u>(755,808)</u>	<u>(305,766)</u>	<u>(340,631)</u>
Taxation for the year/period	<u>2,954,333</u>	<u>1,435,086</u>	<u>299,304</u>	<u>295,609</u>	<u>60,821</u>

11. DIVIDENDS

On 28 June 2018, an interim dividend of HK\$17,598.62 per ordinary shares, amounting to HK\$175,951,000, was declared by the Easyknit Sale Company to its immediate holding company, and the dividend was settled through offsetting with the amount due from ultimate holding company (see note 23). Other than the above, no dividend has been paid or declared by the Easyknit Sale Company in respect of the Relevant Periods.

12. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful by the Easyknit Sale Company's directors having regard to the purpose of preparing the Historical Financial Information.

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

13. INVESTMENT PROPERTIES

	<i>HK\$</i>
FAIR VALUE	
At 1 April 2015	862,800,000
Transfer to a fellow subsidiary	(380,000,000)
Increase in fair value recognised in profit or loss	<u>10,300,000</u>
At 31 March 2016	493,100,000
Transfer to a fellow subsidiary	(100,100,000)
Increase in fair value recognised in profit or loss	<u>13,900,000</u>
At 31 March 2017	406,900,000
Additions	3,424,800
Increase in fair value recognised in profit or loss	<u>36,675,200</u>
At 31 March 2018	447,000,000
Additions	1,111,550
Increase in fair value recognised in profit or loss	<u>11,888,450</u>
At 30 September 2018	<u><u>460,000,000</u></u>

All of the Easyknit Sale Company's leasehold interests in land held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

All of the Easyknit Sale Company's investment properties as at 31 March 2016, 2017 and 2018 and 30 September 2018 are situated in Hong Kong. The fair values of the Easyknit Sale Company's investment properties at 31 March 2016, 2017 and 2018 and 30 September 2018 were arrived at on the basis of valuation carried out at these dates by Colliers International (Hong Kong) Limited, an independent firm of qualified professional property valuers, whose address is Suite 5701, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The gain arising on changes in fair value of investment properties of HK\$10,300,000, HK\$13,900,000, HK\$36,675,200 and HK\$11,888,450, respectively, was recognised in profit or loss during the years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2018.

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The following gives information about how the fair values of the investment properties are determined (in particular, the valuation techniques and key inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Easyknit Sale Company	Fair value as at 31 March			Fair value as at 30 September	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
	2016	2017	2018					
	HK\$	HK\$	HK\$					
Industrial units	100,100,000	N/A	N/A	N/A	Level 3	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the locations and conditions of the subject properties	Price per square foot, using market direct comparables and taking into account of location and other individual factors, which is ranged from HK\$5,100 to HK\$5,400 per square foot, and car park of HK\$1,800,000 each	The higher the price per square foot and price per car park, the higher the fair value
Industrial units	393,000,000	406,900,000	447,000,000	460,000,000	Level 3	Income approach – term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the building, which is 3.0%, 3.1%, 3.0% and 3.0%, respectively, as at 31 March 2016, 2017 and 2018 and 30 September 2018	The higher the term yield and reversionary yield, the lower the fair value
						– reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, which is 3.25%, 3.35%, 3.25% and 3.25%, respectively, as at 31 March 2016, 2017 and 2018 and 30 September 2018	
						– monthly term rental	Monthly term rental for each unit is derived from the average of the rental as stated in the existing rental agreements, which is ranged from HK\$9 to HK\$12 per square foot, from HK\$9 to HK\$12 per square foot, from HK\$9.7 to HK\$14.7 per square foot and from HK\$13 to HK\$19 per square foot, respectively, as at 31 March 2016, 2017 and 2018 and 30 September 2018	The higher the monthly term rental rate, the higher the fair value
						– reversionary rental	Reversionary rental for each unit is compared with direct market comparables and taking into account of location and other individual factor, which is HK\$13 per square foot, HK\$14 per square foot, HK\$15 per square foot and HK\$16 per square foot, respectively, as at 31 March 2016, 2017 and 2018 and 30 September 2018	The higher the reversionary rental, the higher the fair value
Total	493,100,000	406,900,000	447,000,000	460,000,000				

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14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold property HK\$	Leasehold improvements HK\$	Furniture, fixtures and equipment HK\$	Total HK\$
COST				
At 1 April 2015	5,690,000	2,754,917	8,569	8,453,486
Additions	<u>—</u>	<u>—</u>	<u>6,800</u>	<u>6,800</u>
At 31 March 2016	5,690,000	2,754,917	15,369	8,460,286
Additions	—	176,455	50,000	226,455
Disposals	<u>(5,690,000)</u>	<u>(2,524,877)</u>	<u>(12,568)</u>	<u>(8,227,445)</u>
At 31 March 2017, 31 March 2018 and 30 September 2018	<u>—</u>	<u>406,495</u>	<u>52,801</u>	<u>459,296</u>
ACCUMULATED DEPRECIATION				
At 1 April 2015	763,760	2,688,182	8,569	3,460,511
Provided for the year	<u>152,750</u>	<u>31,669</u>	<u>907</u>	<u>185,326</u>
At 31 March 2016	916,510	2,719,851	9,476	3,645,837
Provided for the year	76,376	38,876	1,513	116,765
Eliminated on disposals	<u>(992,886)</u>	<u>(2,524,876)</u>	<u>(7,355)</u>	<u>(3,525,117)</u>
At 31 March 2017	—	233,851	3,634	237,485
Provided for the year	<u>—</u>	<u>43,244</u>	<u>10,000</u>	<u>53,244</u>
At 31 March 2018	—	277,095	13,634	290,729
Provided for the period	<u>—</u>	<u>17,646</u>	<u>5,000</u>	<u>22,646</u>
At 30 September 2018	<u>—</u>	<u>294,741</u>	<u>18,634</u>	<u>313,375</u>
CARRYING VALUES				
At 31 March 2016	<u>4,773,490</u>	<u>35,066</u>	<u>5,893</u>	<u>4,814,449</u>
At 31 March 2017	<u>—</u>	<u>172,644</u>	<u>49,167</u>	<u>221,811</u>
At 31 March 2018	<u>—</u>	<u>129,400</u>	<u>39,167</u>	<u>168,567</u>
At 30 September 2018	<u>—</u>	<u>111,754</u>	<u>34,167</u>	<u>145,921</u>

The above items of property, plant and equipment are depreciated on a straight-line basis according to the following useful lives:

Leasehold property	Over the duration of the leases or fifty years, whichever is the shorter
Others	5 years

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15. TRADE AND OTHER RECEIVABLES

	As at 31 March			As at 30 September
	2016	2017	2018	2018
	HK\$	HK\$	HK\$	HK\$
Trade receivables	428,336	298,791	377,928	393,338
Deposits	274,838	285,338	385,250	409,550
Prepayments	<u>33,808</u>	<u>18,283</u>	<u>163,682</u>	<u>1,383,868</u>
	<u>736,982</u>	<u>602,412</u>	<u>926,860</u>	<u>2,186,756</u>

The Easyknit Sale Company did not grant any credit period to its tenants. The Easyknit Sale Company's management closely monitors the credit quality of trade and other receivables and considers trade and other receivables that are neither past due nor impaired to be of good credit quality.

Included in the Easyknit Sale Company's trade receivables balance at 31 March 2016, 2017 and 2018 were debtors with aggregate carrying amount of HK\$246,828, HK\$201,044 and HK\$302,402, respectively, which were past due at the reporting date for which the Easyknit Sale Company has not provided for allowance. The Easyknit Sale Company did not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired:

	As at 31 March		
	2016	2017	2018
	HK\$	HK\$	HK\$
Overdue by 1 to 60 days	112,593	166,736	289,277
Overdue by 61 to 90 days	35,092	19,800	13,125
Overdue by over 90 days	<u>99,143</u>	<u>14,508</u>	<u>—</u>
	<u>246,828</u>	<u>201,044</u>	<u>302,402</u>

Based on the historical experience of the Easyknit Sale Company, trade receivables that are past due are generally recoverable and as a result, no allowance was made for trade receivables at the end of each reporting period.

16. AMOUNT DUE FROM/TO ULTIMATE HOLDING COMPANY

The amount is unsecured, interest-free and repayable on demand.

	As at 1 April	As at 31 March			As at 30 September
	2015	2016	2017	2018	2018
	HK\$	HK\$	HK\$	HK\$	HK\$
Details of the amount due from ultimate holding company are as follows:					
Balance	<u>—</u>	<u>220,325,305</u>	<u>315,995,155</u>	<u>175,425,252</u>	<u>—</u>

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	Year ended 31 March			Six months ended 30 September
	2016	2017	2018	2018
	HK\$	HK\$	HK\$	HK\$
Maximum amount outstanding during the year/period	<u>220,325,305</u>	<u>315,995,155</u>	<u>331,125,252</u>	<u>185,206,875</u>

17. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES

The amounts are unsecured and repayable on demand. As at 1 April 2015, the balance of amounts due from fellow subsidiaries included an amount of HK\$60,000,000 which bore interest at Hong Kong Interbank Offered Rate (“HIBOR”) plus 2% per annum. The remaining balances as at 31 March 2016, 2017 and 2018 and 30 September 2018 are interest-free.

18. TRADE AND OTHER PAYABLES

	As at 31 March			As at 30 September
	2016	2017	2018	2018
	HK\$	HK\$	HK\$	HK\$
Trade payables	4,372,234	3,672,234	630,087	–
Accruals	140,000	144,000	553,306	369,000
Other payables	<u>288,752</u>	<u>288,016</u>	<u>1,305,970</u>	<u>375,270</u>
	<u>4,800,986</u>	<u>4,104,250</u>	<u>2,489,363</u>	<u>744,270</u>

The aged analysis of trade payables determined based on invoice date at the end of the reporting period is as follows:

	As at 31 March			As at 30 September
	2016	2017	2018	2018
	HK\$	HK\$	HK\$	HK\$
Over 90 days	<u>4,372,234</u>	<u>3,672,234</u>	<u>630,087</u>	<u>–</u>

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19. SECURED BANK BORROWINGS

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	HK\$	HK\$	HK\$	HK\$
Carrying amount repayable:				
– within one year	8,679,790	8,890,060	8,905,154	8,420,007
– between one to two years	8,863,343	9,065,197	9,077,181	8,674,881
– between two to five years	27,661,044	28,273,358	28,503,780	27,751,285
– after five years	131,753,758	122,117,817	113,100,275	110,475,656
	176,957,935	168,346,432	159,586,390	155,321,829
Less: Amount due within one year shown under current liabilities	(8,679,790)	(8,890,060)	(8,905,154)	(8,420,007)
Amount due after one year	168,278,145	159,456,372	150,681,236	146,901,822

As at 31 March 2016, 2017 and 2018 and 30 September 2018, the Easyknit Sale Company's secured bank borrowings carry interest at HIBOR plus 1% to HIBOR plus 1.75% per annum, HIBOR plus 1.5% per annum, HIBOR plus 1.5% per annum and HIBOR plus 1.5% per annum, respectively, with effective interest at 1.98% per annum, 1.95% per annum, 2.23% per annum and 3.13% per annum, respectively. The loans are secured by investment properties of the Easyknit Sale Company with an aggregate carrying amount of HK\$393,000,000, HK\$406,900,000, HK\$447,000,000 and HK\$460,000,000, respectively (see note 13).

20. DEFERRED TAXATION

Major deferred tax liabilities (assets) recognised and movements thereon are as follows:

	Accelerated tax depreciation	Tax losses	Total
	HK\$	HK\$	HK\$
At 1 April 2015	115,783	(115,783)	–
Charge to profit or loss	10,493	115,783	126,276
At 31 March 2016	126,276	–	126,276
Credit to profit or loss	(126,276)	–	(126,276)
At 31 March 2017, 31 March 2018 and 30 September 2018	–	–	–

For the purpose of presentation in the statements of financial position, the above deferred tax liabilities and assets have been offset.

As at 1 April 2015, the Easyknit Sale Company had unused tax losses of approximately HK\$4,742,000 available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$701,000 of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$4,041,000 due to the unpredictability of future profits streams. All tax losses were utilised during the year ended 31 March 2016.

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21. SHARE CAPITAL

	Number of shares	Amount HK\$
Issued and fully paid:		
At 1 April 2015, 31 March 2016, 31 March 2017, 31 March 2018 and 30 September 2018		
– Ordinary shares with no par value	9,998	9,998
– Non-voting deferred shares with no par value	2	2
	<u>10,000</u>	<u>10,000</u>

22. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Easyknit Sale Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Easyknit Sale Company's statements of cash flows as cash flows from financing activities.

	Amounts due to fellow subsidiaries HK\$	Secured bank borrowings HK\$
As at 1 April 2017	132,455,563	168,346,432
Repayment made	(132,615,215)	(8,760,042)
Advance received	159,652	–
Interest paid	–	(3,478,540)
	–	156,107,850
Non-cash changes:		
Interest expense on bank borrowings	–	3,478,540
	–	159,586,390
As at 31 March 2018	–	(4,264,561)
Repayment made	–	–
Advance received	249,254	–
Interest paid	–	(2,205,333)
	249,254	153,116,496
Non-cash changes:		
Interest expense on bank borrowings	–	2,205,333
	249,254	155,321,829
As at 30 September 2018	<u>249,254</u>	<u>155,321,829</u>
(Unaudited)		
As at 1 April 2017	132,455,563	168,346,432
Repayment made	(107,097)	(4,402,270)
Advance received	17,781	–
Interest paid	–	(1,621,086)
	132,366,247	162,323,076

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

	Amounts due to fellow subsidiaries HK\$	Secured bank borrowings HK\$
Non-cash changes:		
Interest expense on bank borrowings	—	1,621,086
As at 30 September 2017	<u>132,366,247</u>	<u>163,944,162</u>

23. MAJOR NON-CASH TRANSACTIONS

Year ended 31 March 2016

The Easyknit Sale Company disposed of an investment property of HK\$380,000,000 (excluding directly attributable expenditure) and transferred deposits paid for acquisition of property, plant and equipment of HK\$1,280,000 to a fellow subsidiary. Such amounts were settled through current account with ultimate holding company.

Year ended 31 March 2017

The Easyknit Sale Company disposed of investment properties of HK\$100,100,000 (excluding directly attributable expenditure) and property, plant and equipment of HK\$4,697,114, and transferred deposits paid for acquisition of property, plant and equipment of HK\$6,077,557 to a fellow subsidiary. Such amounts were settled through current account with ultimate holding company.

Year ended 31 March 2018

There were no major non-cash transactions.

Six months ended 30 September 2018

The immediate holding company's entitlement of the interim dividend, amounting to HK\$175,951,000, declared by the Easyknit Sale Company (see note 11) was settled through current account with ultimate holding company.

24. RELATED PARTY TRANSACTIONS

- (i) During the Relevant Periods, the Easyknit Sale Company entered into the following transactions with related parties:

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK\$	HK\$	HK\$	HK\$	HK\$
	<i>(unaudited)</i>				
Rental income from a group associate	2,080,000	1,362,065	—	—	—
Rental income from fellow subsidiaries	416,000	—	—	—	—
Interest income from a fellow subsidiary	433,052	—	—	—	—
Agency fee to a fellow subsidiary	<u>889,266</u>	<u>673,305</u>	<u>486,434</u>	<u>240,717</u>	<u>249,254</u>

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

(ii) Compensation of key management personnel

As set out in note 9, the Easyknit Sale Company's staff costs are allocated by Easyknit to the Easyknit Sale Company and recognised in the Easyknit Sale Company's profit or loss. Therefore further analysis of the remuneration of directors and other members of the Easyknit Sale Company during the Relevant Periods is not considered meaningful by the Easyknit Sale Company's directors having regard to the purpose of preparing the Historical Financial Information.

(iii) During the year ended 31 March 2016, the Easyknit Sale Company disposed of an investment property of HK\$380,000,000 to a fellow subsidiary.

During the year ended 31 March 2017, the Easyknit Sale Company disposed of investment properties of HK\$100,100,000 and property, plant and equipment of HK\$4,697,114, and transferred deposits paid for acquisition of property, plant and equipment of HK\$6,077,557 to a fellow subsidiary.

There were no similar transactions during the year ended 31 March 2018 and the six months ended 30 September 2018.

(iv) Banking facilities

Easyknit has provided a corporate guarantee for an amount of HK\$200,000,000 as at each of 31 March 2016, 2017 and 2018 and 30 September 2018 to a bank to secure credit facilities granted to the Easyknit Sale Company.

25. CAPITAL RISK MANAGEMENT

The Easyknit Sale Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Easyknit Sale Company's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Easyknit Sale Company consists of debts, which include amount due to ultimate holding company and secured bank borrowings as disclosed in notes 16 and 19, cash and cash equivalents and equity attributable to owners of the Easyknit Sale Company.

The Easyknit Sale Company's directors review the capital structure on a regular basis. As part of this review, the Easyknit Sale Company's directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the Easyknit Sale Company's directors, the Easyknit Sale Company will balance its overall capital structure through new share issues as well as raising or repayment of debts.

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 March		As at 30 September
	2016	2017	2018
	HK\$	HK\$	HK\$
Financial assets			
Loans and receivables (including cash and cash equivalents)/at amortised cost			
Trade and other receivables	428,336	298,791	377,928
Amount due from ultimate holding company	220,325,305	315,995,155	175,425,252
Amounts due from fellow subsidiaries	5,420,137	8,306,995	6,494,073
Bank balances and cash	336,775	64,238	91,376
	<u>226,510,553</u>	<u>324,665,179</u>	<u>182,388,629</u>
			<u>6,610,980</u>
Financial liabilities			
Amortised cost			
Rental deposits received	4,398,043	3,706,244	3,964,119
Trade and other payables	4,609,411	3,895,348	1,924,793
Amount due to ultimate holding company	–	–	–
Amounts due to fellow subsidiaries	133,610,103	132,455,563	–
Secured bank borrowings	176,957,935	168,346,432	159,586,390
	<u>319,575,492</u>	<u>308,403,587</u>	<u>165,475,302</u>
			<u>165,907,013</u>

Financial risk management objectives and policies

The Easyknit Sale Company's major financial instruments include trade and other receivables, amount due from/to ultimate holding company, amounts due from/to fellow subsidiaries, bank balances and cash, rental deposits received, trade and other payables and secured bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Easyknit Sale Company's management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Easyknit Sale Company is exposed to cash flow interest rate risk in relation to secured bank borrowings with variable rate (see note 19 for details).

The Easyknit Sale Company has not used any derivative contracts to hedge its exposure to such interest rate risk, however, the Easyknit Sale Company's management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Easyknit Sale Company's exposure to interest rate risk on financial liabilities is detailed in the liquidity risk management section of this note. The Easyknit Sale Company's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from bank borrowings.

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate for the bank borrowings with variable-rate at the end of each reporting period. The analysis is prepared assuming bank borrowings with variable rate outstanding at the end of each reporting period were outstanding for the whole period.

If interest rate on bank borrowings with variable rate had been 50 basis points higher/lower and all other variables were held constant, the post-tax profit for the three years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2018 would decrease/increase by approximately HK\$739,000, HK\$703,000, HK\$666,000 and HK\$324,000, respectively.

In the opinion of the Easyknit Sale Company's management, the sensitivity analysis is unrepresentative of the inherent interest rate as the period end exposure does not reflect the exposure during the reporting period.

Credit risk

The Easyknit Sale Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at 31 March 2016, 2017 and 2018 and 30 September 2018 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statements of financial position.

As at 31 March 2016, 2017 and 2018 and 30 September 2018, the Easyknit Sale Company has concentration of credit risk in relation to the receivables from ultimate holding company and fellow subsidiaries amounting to HK\$220,325,305, HK\$315,995,155, HK\$175,425,252 and nil, respectively, and HK\$5,420,137, HK\$8,306,995, HK\$6,494,073 and HK\$6,090,268, respectively. In order to minimise the credit risk, the Easyknit Sale Company's directors reviewed the amounts of the receivables from ultimate holding company and fellow subsidiaries at the end of each reporting period to ensure that adequate impairment losses are made. In this regard, the Easyknit Sale Company's directors consider that the Easyknit Sale Company's credit risk on receivables from ultimate holding company and fellow subsidiaries is significantly reduced.

The credit risk for bank balances exposed is considered minimal as such amounts are placed with banks with good credit rating.

Liquidity risk

As mentioned in note 2, in the opinion of the Easyknit Sale Company's directors, liquidity risk can be mitigated because Easyknit has agreed to provide adequate funds to enable the Easyknit Sale Company to meet in full its financial obligations as they fall due for a period not less than twelve months from the date of this report, as long as the Easyknit Sale Company is a subsidiary of Easyknit, and Eminence has agreed to provide adequate funds for the Easyknit Sale Company to meet in full its financial obligations as they fall due for a period not less than twelve months from the date of this report when the Easyknit Sale Company becomes a subsidiary of Eminence.

As at 31 March 2016, 2017 and 2018, in the management of the liquidity risk, the Easyknit Sale Company monitored and maintained a level of cash and cash equivalents deemed adequate by the Easyknit Sale Company's management to finance the Easyknit Sale Company's operations. The Easyknit Sale Company's management also monitored the utilisation of borrowings and ensured compliance with loan covenants.

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

The following table details the Easyknit Sale Company's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Easyknit Sale Company can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk table

	Weighted average interest rate %	On demand or less than 3 months HK\$	3 months to 1 year HK\$	1 to 5 years HK\$	Over 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amounts HK\$
As at 31 March 2016							
<i>Non-derivative financial liabilities</i>							
Rental deposits received	–	–	4,398,043	–	–	4,398,043	4,398,043
Trade and other payables	–	–	4,609,411	–	–	4,609,411	4,609,411
Amounts due to fellow subsidiaries	–	133,610,103	–	–	–	133,610,103	133,610,103
Secured bank borrowings	1.98	3,030,486	9,091,458	36,524,387	131,753,758	180,400,089	176,957,935
		<u>136,640,589</u>	<u>18,098,912</u>	<u>36,524,387</u>	<u>131,753,758</u>	<u>323,017,646</u>	<u>319,575,492</u>
As at 31 March 2017							
<i>Non-derivative financial liabilities</i>							
Rental deposits received	–	–	3,706,244	–	–	3,706,244	3,706,244
Trade and other payables	–	–	3,895,348	–	–	3,895,348	3,895,348
Amounts due to fellow subsidiaries	–	132,455,563	–	–	–	132,455,563	132,455,563
Secured bank borrowings	1.95	3,024,588	9,073,764	48,393,408	136,139,960	196,631,720	168,346,432
		<u>135,480,151</u>	<u>16,675,356</u>	<u>48,393,408</u>	<u>136,139,960</u>	<u>336,688,875</u>	<u>308,403,587</u>
As at 31 March 2018							
<i>Non-derivative financial liabilities</i>							
Rental deposits received	–	–	3,964,119	–	–	3,964,119	3,964,119
Trade and other payables	–	–	1,924,793	–	–	1,924,793	1,924,793
Secured bank borrowings	2.23	3,088,590	9,265,770	49,417,440	126,643,663	188,415,463	159,586,390
		<u>3,088,590</u>	<u>15,154,682</u>	<u>49,417,440</u>	<u>126,643,663</u>	<u>194,304,375</u>	<u>165,475,302</u>
As at 30 September 2018							
<i>Non-derivative financial liabilities</i>							
Rental deposits received	–	–	4,043,746	–	–	4,043,746	4,043,746
Trade and other payables	–	–	282,208	–	–	282,208	282,208
Amount due to ultimate holding company	–	6,009,976	–	–	–	6,009,976	6,009,976
Amounts due to fellow subsidiaries	–	249,254	–	–	–	249,254	249,254
Secured bank borrowings	3.13	3,290,238	9,870,714	52,643,808	128,348,356	194,153,116	155,321,829
		<u>9,549,468</u>	<u>14,196,668</u>	<u>52,643,808</u>	<u>128,348,356</u>	<u>204,738,300</u>	<u>165,907,013</u>

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

Fair value

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Easyknit Sale Company's directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values.

27. PLEDGE OF ASSETS

As at 31 March 2016, 2017 and 2018 and 30 September 2018, the investment properties of the Easyknit Sale Company with an aggregate carrying amount of HK\$393,000,000, HK\$406,900,000, HK\$447,000,000 and HK\$460,000,000, respectively, were pledged to a bank to secure credit facilities granted to the Easyknit Sale Company. In addition, rentals in respect of these investment properties were also pledged to this bank.

28. OPERATING LEASE ARRANGEMENTS

The Easyknit Sale Company as lessor

At the end of each reporting period, the Easyknit Sale Company had contracted with tenants for the following future minimum lease payments:

	As at 31 March			As at 30 September
	2016	2017	2018	2018
	HK\$	HK\$	HK\$	HK\$
Within one year	12,107,391	10,085,990	9,471,014	8,823,904
In the second to fifth year inclusive	5,019,959	4,816,038	1,636,360	2,906,417
	<u>17,127,350</u>	<u>14,902,028</u>	<u>11,107,374</u>	<u>11,730,321</u>

Under the leases entered into by the Easyknit Sale Company, the lease payments are fixed and no arrangements have been entered into for contingent rental payments. The properties held have committed tenants for terms of one to three years as at each of 31 March 2016, 2017 and 2018 and 30 September 2018.

The Easyknit Sale Company as lessee

At the end of the reporting period, the Easyknit Sale Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follow:

	As at 31 March			As at 30 September
	2016	2017	2018	2018
	HK\$	HK\$	HK\$	HK\$
Within one year	<u>—</u>	<u>—</u>	<u>445,742</u>	<u>163,742</u>

Operating lease payments represent rentals payable by the Easyknit Sale Company for staff quarters. Leases are negotiated for terms of nil, nil, two years and two years, respectively, as at 31 March 2016, 2017 and 2018 and 30 September 2018. Under the leases entered into by the Easyknit Sale Company, the lease payments are fixed and no arrangements have been entered into for contingent rental payments.

APPENDIX V FINANCIAL INFORMATION OF THE EASYKNIT SALE COMPANY

29. CAPITAL COMMITMENTS

	As at 31 March		As at 30
	2016	2017	September
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Capital expenditure contracted for but not provided in the Historical Financial Information in respect of investment properties	<u>–</u>	<u>–</u>	<u>844,204</u>
			<u>1,099,704</u>

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Easyknit Sale Company have been prepared in respect of any period subsequent to 30 September 2018.

The following is the text of a report received from the Eminence Sale Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Deloitte.**德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF
TOTAL EXPECT LIMITED****TO DIRECTORS OF EASYKNIT INTERNATIONAL HOLDINGS LIMITED AND THE
DIRECTORS OF EMINENCE ENTERPRISE LIMITED****Introduction**

We report on the historical financial information of Total Expect Limited (the "Eminence Sale Company") set out on pages VI-4 to VI-26, which comprises the statements of financial position as at 31 March 2016, 2017, 2018 and 30 September 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the three years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2018 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages VI-4 to VI-26 forms an integral part of this report, which has been prepared for inclusion in the circular issued by Easyknit International Holdings Limited ("Easyknit") and Eminence Enterprise Limited ("Eminence") jointly dated 12 February 2019 (the "Circular") in connection with, among others, Easyknit's proposed acquisition of all the issued shares of the Eminence Sale Company.

Directors' responsibility for the Historical Financial Information

The directors of the Eminence Sale Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Eminence Sale Company determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of Easyknit and the directors of Eminence are responsible for the contents of the Circular in which the Historical Financial Information of the Eminence Sale Company is included, and such information is prepared based on accounting policies materially consistent with those of Easyknit and Eminence.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Eminence Sale Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Eminence Sale Company's financial position as at 31 March 2016, 2017 and 2018 and 30 September 2018, and of the Eminence Sale Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Eminence Sale Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 September 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Eminence Sale Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial

Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page VI-4 have been made.

Dividends

We refer to Note 10 to the Historical Financial Information which states that no dividends have been paid by the Eminence Sale Company in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 February 2019

HISTORICAL FINANCIAL INFORMATION OF THE EMINENCE SALE COMPANY**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on previously issued financial statements of the Eminence Sale Company for the Relevant Periods. The previously issued financial statements were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$").

APPENDIX VI**FINANCIAL INFORMATION OF
THE EMINENCE SALE COMPANY****STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<i>NOTES</i>	Year ended 31 March			Six months ended 30 September	
		2016 <i>HK\$</i>	2017 <i>HK\$</i>	2018 <i>HK\$</i>	2017 <i>HK\$</i> <i>(unaudited)</i>	2018 <i>HK\$</i>
Sundry income		–	–	–	–	15,381
Distribution and selling expenses		–	–	–	–	(76,219)
Administrative expenses		(342,363)	(3,099,564)	(1,298,340)	(932,002)	(384,172)
Finance costs	6	<u>(2,887,733)</u>	<u>(45,000)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Loss before taxation		(3,230,096)	(3,144,564)	(1,298,340)	(932,002)	(445,010)
Taxation	7	<u>–</u>	<u>(310,720)</u>	<u>1</u>	<u>1</u>	<u>–</u>
Loss and total comprehensive expense for the year/period	8	<u><u>(3,230,096)</u></u>	<u><u>(3,455,284)</u></u>	<u><u>(1,298,339)</u></u>	<u><u>(932,001)</u></u>	<u><u>(445,010)</u></u>

APPENDIX VI

FINANCIAL INFORMATION OF THE EMINENCE SALE COMPANY

STATEMENTS OF FINANCIAL POSITION

		As at 31 March		As at 30 September	
	NOTES	2016 HK\$	2017 HK\$	2018 HK\$	2018 HK\$
Non-current assets					
Property, plant and equipment	11	—	—	814,045	749,051
Current assets					
Properties held for development for sale	12	453,197,728	528,464,379	713,792,577	938,846,881
Other receivables		—	253,100	254,617	320,324
Bank balances and cash		168,748	80,044	39,093	49,610
		<u>453,366,476</u>	<u>528,797,523</u>	<u>714,086,287</u>	<u>939,216,815</u>
Current liabilities					
Trade and other payables	13	4,162,460	19,847,545	23,745,328	196,388,805
Amount due to ultimate holding company	14	452,285,208	—	—	—
Amount due to a fellow subsidiary	15	13,234	2,753,390	—	—
Tax payable		—	310,720	—	—
		<u>456,460,902</u>	<u>22,911,655</u>	<u>23,745,328</u>	<u>196,388,805</u>
Net current (liabilities) assets		<u>(3,094,426)</u>	<u>505,885,868</u>	<u>690,340,959</u>	<u>742,828,010</u>
Total assets less current liabilities		<u>(3,094,426)</u>	<u>505,885,868</u>	<u>691,155,004</u>	<u>743,577,061</u>
Non-current liabilities					
Amount due to ultimate holding company	14	—	224,447,630	362,618,429	368,262,038
Secured bank borrowings	16	—	269,640,000	301,597,649	348,738,967
		—	<u>494,087,630</u>	<u>664,216,078</u>	<u>717,001,005</u>
Net (liabilities) assets		<u>(3,094,426)</u>	<u>11,798,238</u>	<u>26,938,926</u>	<u>26,576,056</u>
Capital and reserves					
Share capital	17	8	8	8	8
Capital reserve		—	18,347,948	34,786,975	34,869,115
Accumulated losses		<u>(3,094,434)</u>	<u>(6,549,718)</u>	<u>(7,848,057)</u>	<u>(8,293,067)</u>
Total equity		<u>(3,094,426)</u>	<u>11,798,238</u>	<u>26,938,926</u>	<u>26,576,056</u>

APPENDIX VI**FINANCIAL INFORMATION OF
THE EMINENCE SALE COMPANY****STATEMENTS OF CHANGES IN EQUITY**

	Share capital HK\$	Capital reserve HK\$	Accumulated profits/ (losses) HK\$	Total HK\$
At 1 April 2015	8	–	135,662	135,670
Loss and total comprehensive expense for the year	<u>–</u>	<u>–</u>	<u>(3,230,096)</u>	<u>(3,230,096)</u>
At 31 March 2016	8	–	(3,094,434)	(3,094,426)
Loss and total comprehensive expense for the year	<u>–</u>	<u>–</u>	<u>(3,455,284)</u>	<u>(3,455,284)</u>
Fair value adjustment on amount due to ultimate holding company, net	<u>–</u>	<u>18,347,948</u>	<u>–</u>	<u>18,347,948</u>
At 31 March 2017	8	18,347,948	(6,549,718)	11,798,238
Loss and total comprehensive expense for the year	<u>–</u>	<u>–</u>	<u>(1,298,339)</u>	<u>(1,298,339)</u>
Fair value adjustment on amount due to ultimate holding company, net	<u>–</u>	<u>16,439,027</u>	<u>–</u>	<u>16,439,027</u>
At 31 March 2018	8	34,786,975	(7,848,057)	26,938,926
Loss and total comprehensive expense for the period	<u>–</u>	<u>–</u>	<u>(445,010)</u>	<u>(445,010)</u>
Fair value adjustment on amount due to ultimate holding company, net	<u>–</u>	<u>82,140</u>	<u>–</u>	<u>82,140</u>
At 30 September 2018	<u>8</u>	<u>34,869,115</u>	<u>(8,293,067)</u>	<u>26,576,056</u>
(Unaudited)				
At 1 April 2017	8	18,347,948	(6,549,718)	11,798,238
Loss and total comprehensive expense for the period	<u>–</u>	<u>–</u>	<u>(932,001)</u>	<u>(932,001)</u>
Fair value adjustment on amount due to ultimate holding company, net	<u>–</u>	<u>4,550,458</u>	<u>–</u>	<u>4,550,458</u>
At 30 September 2017	<u>8</u>	<u>22,898,406</u>	<u>(7,481,719)</u>	<u>15,416,695</u>

The capital reserve represents the fair value adjustment on amount due to ultimate holding company, being the difference between the fair value and the cash advanced from ultimate holding company.

APPENDIX VI**FINANCIAL INFORMATION OF
THE EMINENCE SALE COMPANY****STATEMENTS OF CASH FLOWS**

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK\$	HK\$	HK\$	HK\$	HK\$
				(unaudited)	
Operating activities					
Loss before taxation	(3,230,096)	(3,144,564)	(1,298,340)	(932,002)	(445,010)
Adjustments for:					
Interest expense	2,887,733	45,000	–	–	–
Depreciation	–	–	143,655	47,885	96,292
Operating cash flows before movements in working capital	(342,363)	(3,099,564)	(1,154,685)	(884,117)	(348,718)
Increase in properties held for development for sale	(203,483,910)	(71,920,968)	(168,591,536)	(90,949,009)	(212,145,263)
Decrease (increase) in other receivables	7,122,500	(253,100)	(1,517)	(10,757)	(65,707)
Increase in trade and other payables	3,800,616	15,685,085	3,897,783	32,787,259	172,643,477
Cash used in operations	(192,903,157)	(59,588,547)	(165,849,955)	(59,056,624)	(39,916,211)
Hong Kong Profits Tax paid	–	–	(310,719)	(310,719)	–
Net cash used in operating activities	(192,903,157)	(59,588,547)	(166,160,674)	(59,367,343)	(39,916,211)
Cash used in investing activities					
Purchase of property, plant and equipment	–	–	(957,700)	(957,700)	(31,298)
Financing activities					
Advance from ultimate holding company	341,796,650	58,751,399	177,591,601	66,560,600	44,400,000
Repayment to ultimate holding company	(6,900,000)	(269,640,000)	(31,700,000)	(31,700,000)	(45,900,000)
Advance from fellow subsidiaries	13,234	2,753,390	–	–	–
Repayment to fellow subsidiaries	–	(13,234)	(2,753,390)	(2,753,390)	–
Repayment of bank borrowings	(139,000,000)	–	–	–	–
Interest paid	(2,887,733)	(1,946,712)	(8,138,454)	(3,900,522)	(5,683,292)
Bank borrowings raised	–	269,595,000	32,077,666	32,077,666	47,141,318
Net cash from financing activities	193,022,151	59,499,843	167,077,423	60,284,354	39,958,026
Net increase (decrease) in cash and cash equivalents	118,994	(88,704)	(40,951)	(40,689)	10,517
Cash and cash equivalents at beginning of the year/period	49,754	168,748	80,044	80,044	39,093
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	168,748	80,044	39,093	39,355	49,610

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Eminence Sale Company is a private limited company incorporated in the British Virgin Islands. Its immediate holding company is Kingbest Capital Holdings Limited (the “Eminence Seller”), a company also incorporated in the British Virgin Islands. Its ultimate holding company is Eminence, which is an exempted company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong. The address of the registered office of the Eminence Sale Company is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands and the address of its principal place of business is Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

The Eminence Sale Company is engaged in property development.

The Historical Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of the Eminence Sale Company.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs issued by the HKICPA.

3. APPLICATION OF NEW AND REVISED HKFRSS

For the purpose of preparing the Historical Financial Information for the Relevant Periods, the Eminence Sale Company has consistently applied the HKFRSs, which are effective for the accounting period beginning on 1 April 2018 throughout the Relevant Periods except that the Eminence Sale Company has adopted HKFRS 9 “Financial Instruments” and HKFRS 15 “Revenue from Contracts with Customers” since 1 April 2018 and amendments to HKAS 7 “Disclosure Initiative” since 1 April 2017.

Application of new and amendments to HKFRSs

The Eminence Sale Company has applied, for the first time, a number of new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the period beginning on or after 1 April 2018 or 2017 for the preparation of the Historical Financial Information. The impact of the adoption of HKFRS 9 and HKFRS 15 are not material to the Eminence Sale Company. The relevant disclosure for amendment to HKAS 7 is stated in note 18. The other amendments to HKFRSs, which have been consistently applied throughout the Relevant Periods, have insignificant impact on the Eminence Sale Company’s accounting policies and did not require retrospective adjustments.

New and revised HKFRSs in issue but not yet effective

At the date of this report, the following new and revised standards and amendments have been issued which are not yet effective:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and Hong Kong Accounting Standards (“HKAS”) 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵

Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ¹

- ¹ Effective for annual periods beginning on or after 1 January 2019.
- ² Effective for annual periods beginning on or after a date to be determined.
- ³ Effective for annual periods beginning on or after 1 January 2021.
- ⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
- ⁵ Effective for annual periods beginning on or after 1 January 2020.

The directors of the Eminence Sale Company anticipate that the application of these new and amendments to HKFRSs and interpretations will have no material impact on the future financial statements of the Eminence Sale Company.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

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

The significant accounting policies are set out below.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from “loss before taxation” as reported in the statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Eminence Sale Company’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Eminence Sale Company expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

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

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

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

Properties held for development for sale

Properties held for development for sale are classified as current assets and stated at the lower of cost and net realisable value.

Costs relating to the development of properties, including purchase costs of the properties for development, development costs and borrowing costs capitalised, are capitalised and included as properties held for development until such time when they are completed.

Financial instruments

Financial assets and financial liabilities are recognised when the Eminence Sale Company becomes a party to the contractual provisions of the instrument.

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

Classification and subsequent measurement of financial assets (for the three years ended 31 March 2016, 2017 and 2018)

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment losses.

Classification and subsequent measurement of financial assets (for the six months ended 30 September 2018)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

The Eminence Sale Company's recognised financial assets (including other receivables and bank balances and cash) are subsequently measured at amortised cost.

Impairment of financial assets (for the three years ended 31 March 2016, 2017 and 2018)

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

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

Impairment under expected credit loss ("ECL") model (for the six months ended 30 September 2018)

The Eminence Sale Company recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including other receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are made based on the Eminence Sale Company's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions and assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Eminence Sale Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Eminence Sale Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in likelihood or risk of a default occurring since initial recognition.

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities (including trade and other payables, amount due to ultimate holding company, amount due to a fellow subsidiary and secured bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The Eminence Sale Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Impairment of non-financial assets

At the end of each reporting period, the Eminence Sale Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

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

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

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

Retirement benefit scheme

Payments to the Hong Kong Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contribution.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Eminence Sale Company's accounting policies, which are described in note 4, the directors of the Eminence Sale Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Determination of net realisable value of properties held for development for sale

The Eminence Sale Company's management regularly reviews the recoverability of the Eminence Sale Company's properties held for development for sale, which are situated in Hong Kong and amounted to HK\$453,197,728, HK\$528,464,379, HK\$713,792,577 and HK\$938,846,881, respectively, as at 31 March 2016, 2017, 2018 and 30 September 2018, with reference to current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets may exceed its net realisable value. Appropriate write-down for estimated irrecoverable amount is recognised in profit or loss when the net realisable value is below cost. The estimates of net realisable value are determined based on best available information and with reference to valuations made, less the anticipated costs to completion. Actual realised amount may differ from estimates, resulting in a decrease or an increase in the net realisable value of the properties held for development for sale and additional write-down or reversal of write-down previously recognised may be required.

APPENDIX VI**FINANCIAL INFORMATION OF
THE EMINENCE SALE COMPANY****6. FINANCE COSTS**

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(unaudited)	
Interest on bank borrowings	2,887,733	1,991,712	8,018,437	3,639,099	5,683,292
Imputed interest on amount due to ultimate holding company	–	1,398,971	8,718,225	3,385,301	7,225,749
	2,887,733	3,390,683	16,736,662	7,024,400	12,909,041
Less: Amount capitalised in the cost of qualifying assets	–	(3,345,683)	(16,736,662)	(7,024,400)	(12,909,041)
	<u>2,887,733</u>	<u>45,000</u>	<u>–</u>	<u>–</u>	<u>–</u>

Borrowing cost capitalised during the years ended 31 March 2016, 2017, 2018 and the six months ended 30 September 2018 arose on the general borrowing pool and were calculated by applying a capitalisation rate of nil, 2.45% per annum, 4.54% per annum and 4.93% per annum, respectively, to expenditure on qualifying assets.

7. TAXATION

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(unaudited)	
The tax charge (credit) comprises:					
Hong Kong Profits Tax					
– Current year/period	–	–	–	–	–
– Under(over)provision in prior years/periods	–	310,720	(1)	(1)	–
	<u>–</u>	<u>310,720</u>	<u>(1)</u>	<u>(1)</u>	<u>–</u>

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered Profits Tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. The two-tiered Profits Tax rate applies to years of assessment commencing on or after 1 April 2018. The Eminence Sale Company’s directors are of the opinion that the Eminence Sale Company will not be nominated by its ultimate holding company to be chargeable at the two-tiered rates.

No provision for Hong Kong Profits Tax has been made in the Historical Financial Information as the Eminence Sale Company has no assessable profit for the Relevant Periods.

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FINANCIAL INFORMATION OF THE EMINENCE SALE COMPANY

Taxation for the Relevant Periods can be reconciled to the loss before taxation per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK\$	HK\$	HK\$	HK\$	HK\$
	(unaudited)				
Loss before taxation	<u>(3,230,096)</u>	<u>(3,144,564)</u>	<u>(1,298,340)</u>	<u>(932,002)</u>	<u>(445,010)</u>
Tax credit of Hong Kong Profits					
Tax at 16.5%	(532,966)	(518,853)	(214,226)	(153,780)	(73,427)
Tax effect of tax losses not recognised	532,966	518,853	304,298	250,173	67,480
Under(over)provision in prior years/periods	–	310,720	(1)	(1)	–
Others	<u>–</u>	<u>–</u>	<u>(90,072)</u>	<u>(96,393)</u>	<u>5,947</u>
Tax charge (credit) for the year/ period	<u>–</u>	<u>310,720</u>	<u>(1)</u>	<u>(1)</u>	<u>–</u>

As at 31 March 2016, 2017, 2018 and 30 September 2018, the Eminence Sale Company has unused tax losses of approximately HK\$5,099,000, HK\$8,243,000, HK\$10,088,000 and HK\$10,497,000, respectively, available for offset against future profits. The losses can be carried forward indefinitely. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit stream.

8. LOSS FOR THE YEAR/PERIOD

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK\$	HK\$	HK\$	HK\$	HK\$
	(unaudited)				
Loss for the year/period has been arrived at after charging:					
Directors' emoluments	–	–	–	–	–
Contribution to retirement benefit scheme for other staff	–	54,891	–	–	–
Other staff costs	<u>–</u>	<u>1,712,738</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total staff costs (Note)	<u>–</u>	<u>1,767,629</u>	<u>–</u>	<u>–</u>	<u>–</u>
Auditor's remuneration	70,000	61,000	102,000	61,500	46,500
Depreciation	<u>–</u>	<u>–</u>	<u>143,655</u>	<u>47,885</u>	<u>96,262</u>

Note: The Eminence Sale Company being an indirect subsidiary of Eminence, does not employ any staff. The staff costs (including directors' emoluments) disclosed above represent amount allocated by Eminence to the Eminence Sale Company and recognised in the Eminence Sale Company's profit or loss. Therefore, further analysis of emoluments to the Eminence Sale Company's directors, by name, and the five highest paid individuals is not considered meaningful by the Eminence Sale Company's directors having regard to the purpose of preparing the Historical Financial Information.

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THE EMINENCE SALE COMPANY**

9. LOSS PER SHARE

No loss per share information is presented for the purpose of this report as its inclusion is not considered meaningful by the Eminence Sale Company's directors having regard to the purpose of preparing the Historical Financial Information.

10. DIVIDENDS

No dividend was paid or declared by the Eminence Sale Company during the Relevant Periods.

11. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK\$	Motor vehicle HK\$	Total HK\$
COST			
Acquisition during the year ended 31 March 2018 and balance at 31 March 2018	–	957,700	957,700
Addition	31,298	–	31,298
At 30 September 2018	31,298	957,700	988,998
DEPRECIATION			
Provided for the year ended 31 March 2018 and balance at 31 March 2018	–	143,655	143,655
Provided for the period	522	95,770	96,292
At 30 September 2018	522	239,425	239,947
CARRYING VALUE			
At 31 March 2018	–	814,045	814,045
At 30 September 2018	30,776	718,275	749,051

The above items of property, plant and equipment are depreciated on a straight-line basis according to the following useful lives:

Furniture, fixtures and equipment 5 years

Motor vehicle 5 years

12. PROPERTIES HELD FOR DEVELOPMENT FOR SALE

The Eminence Sale Company's properties held for development for sale are situated in Hong Kong.

As at 31 March 2016 and 2017, the whole amount of properties held for development for sale is expected to be completed more than twelve months after the end of the reporting period.

As at 31 March 2018 and 30 September 2018, the whole amount of properties held for development for sale is expected to be completed within twelve months after the end of the reporting period.

As at 31 March 2016, 2017, 2018 and 30 September 2018, the directors of the Eminence Sale Company performed assessment of net realisable value on the properties held for development for sale with reference to valuations made by independent qualified professional property valuers. The valuations were arrived at by using the residual method. As at 31 March 2016, 2017, 2018 and 30 September 2018, no further write-down is considered necessary.

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FINANCIAL INFORMATION OF THE EMINENCE SALE COMPANY

13. TRADE AND OTHER PAYABLES

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	HK\$	HK\$	HK\$	HK\$
Trade payables, aged with 30 days (Note (a))	3,314,495	7,212,583	3,769,587	183,688,516
Retention payables (Note (b))	787,965	5,267,539	12,445,733	12,445,733
Accruals	60,000	7,367,423	7,530,008	254,556
	<u>4,162,460</u>	<u>19,847,545</u>	<u>23,745,328</u>	<u>196,388,805</u>

Notes:

- (a) The aged analysis of trade payables is determined based on the invoice date, at the end of reporting period. The average credit period on purchases of goods is 30 days.
- (b) Retention payables are withheld from subcontractors for construction works and will be released within twelve months upon completion of their works.

14. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	HK\$	HK\$	HK\$	HK\$
Shown in the financial statements as:				
Current liabilities	452,285,208	—	—	—
Non-current liabilities	—	224,447,630	362,618,429	368,262,038
	<u>452,285,208</u>	<u>224,447,630</u>	<u>362,618,429</u>	<u>368,262,038</u>

The amount is unsecured and interest-free. Since the bank borrowing agreement was entered into between the Eminence Sale Company and the bank during the year ended 31 March 2017, the amount due to ultimate holding company is regarded as repayable after the bank borrowings are settled in December 2019 as specified in the agreement.

During the year ended 31 March 2017, the fair value of the advance of HK\$241,396,608 (net) amounting to HK\$223,048,660, was determined based on the present value of the estimated future cash flows discounted at 2.45% per annum. The difference of HK\$18,347,948 between the present value and amount received was recognised as a fair value adjustment on amount due to ultimate holding company in equity.

During the year ended 31 March 2018, the fair value of the advance of HK\$145,891,601 (net) amounting to HK\$129,452,574, was determined based on the present value of the estimated future cash flows discounted at 6% per annum. The difference of HK\$16,439,027 between the present value and amount received was recognised as a fair value adjustment on amount due to ultimate holding company in equity.

During the six months ended 30 September 2018, the fair value of the payment of HK\$1,500,000 (net) amounting to HK\$1,582,140, was determined based on the present value of the estimated future cash flows discounted at 6% per annum. The difference of HK\$82,140 between the present value and amount received was recognised as a fair value adjustment on amount due to ultimate holding company in equity.

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15. AMOUNT DUE TO A FELLOW SUBSIDIARY

The amount is unsecured, interest-free and repayable on demand.

16. SECURED BANK BORROWINGS

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	HK\$	HK\$	HK\$	HK\$
Carrying amount repayable as follows (based on the scheduled repayment dates set out in the loan agreements):				
– within a period of more than one year but no exceeding two years	–	–	301,597,649	348,738,967
– within a period of more than two years but no exceeding five years	–	269,640,000	–	–
Amount due after one year and shown under non-current liabilities	–	269,640,000	301,597,649	348,738,967

As at 31 March 2017, 2018 and 30 September 2018, the Eminence Sale Company's bank borrowings carry interest at Hong Kong Interbank Offered Rate plus 2% per annum, with effective interest rate of 2.45% per annum, 2.79% per annum and 3.81% per annum, respectively. The loans are secured by the following:

- properties held for development for sale of the Eminence Sale Company (see note 19) and floating charge of all other assets of the Eminence Sale Company
- rentals and future sales proceeds of the Eminence Sale Company's properties held for development for sale
- all issued shares of the Eminence Sale Company held by the Eminence Seller
- corporate guarantee to the extent of HK\$515,000,000 executed by Eminence

17. SHARE CAPITAL

	As at 1 April 2015, 31 March 2016, 31 March 2017, 31 March 2018 and 30 September 2018
Authorised: 50,000 shares of US\$1 each	US\$50,000
Issued and fully paid: 1 share of US\$1	US\$1
Shown in the Historical Financial Information as	HK\$8

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18. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Eminence Sale Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Eminence Sale Company's statements of cash flows as cash flows from financing activities.

	Secured bank borrowings HK\$	Amount due to ultimate holding company HK\$	Amount due to a fellow subsidiary HK\$	Total HK\$
As at 1 April 2017	269,640,000	224,447,630	2,753,390	496,841,020
Bank borrowings raised	32,077,666	–	–	32,077,666
Interest paid	(8,138,454)	–	–	(8,138,454)
Net advance received	–	145,891,601	–	145,891,601
Net repayment made	–	–	(2,753,390)	(2,753,390)
	293,579,212	370,339,231	–	663,918,443
Non-cash changes:				
– Interest expense	8,018,437	8,718,225	–	16,736,662
– Fair value adjustments (<i>note 14</i>)	–	(16,439,027)	–	(16,439,027)
As at 31 March 2018	301,597,649	362,618,429	–	664,216,078
Bank borrowings raised	47,141,318	–	–	47,141,318
Interest paid	(5,683,292)	–	–	(5,683,292)
Net repayment made	–	(1,500,000)	–	(1,500,000)
	343,055,675	361,118,429	–	704,174,104
Non-cash changes:				
– Interest expense	5,683,292	7,225,749	–	12,909,041
– Fair value adjustments (<i>note 14</i>)	–	(82,140)	–	(82,140)
As at 30 September 2018	<u>348,738,967</u>	<u>368,262,038</u>	<u>–</u>	<u>717,001,005</u>
(Unaudited)				
As at 1 April 2017	269,640,000	224,447,630	2,753,390	496,841,020
Bank borrowings raised	32,077,666	–	–	32,077,666
Interest paid	(3,900,522)	–	–	(3,900,522)
Net advance received	–	34,860,600	–	34,860,600
Net repayment made	–	–	(2,753,390)	(2,753,390)
	297,817,144	259,308,230	–	557,125,374
Non-cash changes:				
– Interest expense	3,639,099	3,385,301	–	7,024,400
– Fair value adjustments	–	(4,550,458)	–	(4,550,458)
As at 30 September 2017	<u>301,456,243</u>	<u>258,143,073</u>	<u>–</u>	<u>559,599,316</u>

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19. PLEDGE OF ASSETS

At the end of each reporting period, the following assets of the Eminence Sale Company were pledged to a bank to secure credit facilities granted to the Eminence Sale Company:

	As at 31 March			As at 30 September
	2016	2017	2018	2018
	HK\$	HK\$	HK\$	HK\$
Properties held for development for sale	<u>–</u>	<u>528,464,379</u>	<u>713,792,577</u>	<u>938,846,881</u>

In addition, rentals in respect of the above properties held for development for sale and future sale proceeds were also pledged to this bank.

20. RELATED PARTY TRANSACTIONS

- (a) During the Relevant Periods, the Eminence Sale Company entered into the following transaction with a related party:

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK\$	HK\$	HK\$	HK\$	HK\$
				(unaudited)	
Imputed interest on amount due to ultimate holding company	<u>–</u>	<u>1,398,971</u>	<u>8,718,225</u>	<u>3,385,301</u>	<u>7,225,749</u>

- (b) Compensation of key management personnel

As set out in note 8, the Eminence Sale Company's staff costs are allocated by Eminence to the Eminence Sale Company and recognised in the Eminence Sale Company's profit or loss. Therefore, further analysis of the remuneration of directors and other members of the Eminence Sale Company during the Relevant Periods is not considered meaningful by the Eminence Sale Company's directors having regard to the purpose of preparing the Historical Financial Information.

- (c) Bank facilities

The bank term loan facilities as set out in note 16 were also secured by corporate guarantees executed by Eminence in favour of the bank.

21. CAPITAL RISK MANAGEMENT

The Eminence Sale Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Eminence Sale Company's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Eminence Sale Company consists of debts, which includes amount due to ultimate holding company, amount due to a fellow subsidiary and secured bank borrowings as disclosed in notes 14, 15 and 16, respectively, cash and cash equivalents and equity attributable to owners of the Eminence Sale Company.

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The Eminence Sale Company's directors review the capital structure on a regular basis. As part of this review, the Eminence Sale Company's directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the Eminence Sale Company's directors, the Eminence Sale Company will balance its overall capital structure through new share issues as well as raising or repayment of bank borrowings and other debts.

22. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	HK\$	HK\$	HK\$	HK\$
Financial assets				
Loans and receivables (including cash and cash equivalents)/at amortised cost				
Other receivables	–	250,700	250,700	308,810
Bank balances and cash	168,748	80,044	39,093	49,610
	<u>168,748</u>	<u>330,744</u>	<u>289,793</u>	<u>358,420</u>
Financial liabilities				
Amortised cost				
Trade and other payables	4,102,460	12,480,122	16,215,320	196,134,249
Amount due to ultimate holding company	452,285,208	224,447,630	362,618,429	368,262,038
Amount due to a fellow subsidiary	13,234	2,753,390	–	–
Secured bank borrowings	–	269,640,000	301,597,649	348,738,967
	<u>456,400,902</u>	<u>509,321,142</u>	<u>680,431,398</u>	<u>913,135,254</u>

b. Financial risk management objectives and policies

The Eminence Sale Company's major financial instruments include other receivables, bank balances and cash, trade and other payables, amount due to ultimate holding company, amount due to a fellow subsidiary and secured bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Eminence Sale Company's management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Eminence Sale Company is exposed to cash flow interest rate risk mainly related to variable-rate bank borrowings (see note 16 for details). The Eminence Sale Company's management monitors interest rate exposure and will consider necessary action when significant interest rate exposure is anticipated.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments as referred to above at the end of each reporting period and the stipulated change taking place at the beginning of each reporting period and held constant throughout the reporting

period in the case of instruments that have floating rates. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents the Eminence Sale Company's management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Eminence Sale Company's post-tax loss before capitalisation of interest to properties held for development for sale for the three years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2018 would increase/decrease by nil, HK\$2,251,000, HK\$2,518,000 and HK\$1,456,000, respectively, which would be capitalised as properties held for development for sale (see note 6). This is mainly attributable to the Eminence Sale Company's exposure to interest rates on its variable-rate borrowings.

In the opinion of the Eminence Sale Company's management, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the period end exposure does not reflect the exposure during the reporting period.

Credit risk

The Eminence Sale Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2016, 2017 and 2018 and 30 September 2018 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statements of financial position. The Eminence Sale Company has no concentration of credit risk as there are no trade receivables as at 31 March 2016, 2017 and 2018 and 30 September 2018.

The credit risk for bank balances exposed is considered minimal as such amounts are placed with banks with good credit rating.

Liquidity risk

In the management of the liquidity risk, the Eminence Sale Company monitors and maintains a level of cash and cash equivalents deemed adequate by the Eminence Sale Company's management to finance the Eminence Sale Company's operations. The Eminence Sale Company's management also monitors the utilisation of borrowings and ensures compliance with loan covenants.

As at 31 March 2017 and 2018 and 30 September 2018, the Eminence Sale Company has available unutilised bank loan facilities of HK\$245,000,000, HK\$212,922,000 and HK\$165,924,000, respectively. The Eminence Sale Company did not have bank loan facilities as at 31 March 2016.

The Eminence Sale Company relies on the ultimate holding company as a significant source of liquidity.

The following table details the Eminence Sale Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Eminence Sale Company can be required to pay. The table includes both interest and principal cash flows.

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Liquidity and interest risk tables

	Weighted average effective interest rate %	On demand or less than 3 months HK\$	More than 3 months but less than 1 year HK\$	1 to 2 years HK\$	2 to 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amounts HK\$
As at 31 March 2016							
Non-derivative financial liabilities							
Trade and other payables	–	4,102,460	–	–	–	4,102,460	4,102,460
Amount due to ultimate holding company	–	452,285,208	–	–	–	452,285,208	452,285,208
Amount due to a fellow subsidiary	–	13,234	–	–	–	13,234	13,234
		<u>456,400,902</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>456,400,902</u>	<u>456,400,902</u>
As at 31 March 2017							
Non-derivative financial liabilities							
Trade and other payables	–	12,480,122	–	–	–	12,480,122	12,480,122
Amount due to ultimate holding company	2.45	–	–	–	241,396,608	241,396,608	224,447,630
Amount due to a fellow subsidiary	–	2,753,390	–	–	–	2,753,390	2,753,390
Secured bank borrowings	2.45	1,646,432	4,957,390	6,730,471	274,486,980	287,821,273	269,640,000
		<u>16,879,944</u>	<u>4,957,390</u>	<u>6,730,471</u>	<u>515,883,588</u>	<u>544,451,393</u>	<u>509,321,142</u>
As at 31 March 2018							
Non-derivative financial liabilities							
Trade and other payables	–	16,215,320	–	–	–	16,215,320	16,215,320
Amount due to ultimate holding company	6.00	–	–	387,288,208	–	387,288,208	362,618,429
Secured bank borrowings	2.79	2,147,440	6,442,321	307,804,174	–	316,393,935	301,597,649
		<u>18,362,760</u>	<u>6,442,321</u>	<u>695,092,382</u>	<u>–</u>	<u>719,897,463</u>	<u>680,431,398</u>
As at 30 September 2018							
Non-derivative financial liabilities							
Trade and other payables	–	196,134,249	–	–	–	196,134,249	196,134,249
Amount due to ultimate holding company	6.00	–	–	385,788,208	–	385,788,208	368,262,038
Secured bank borrowings	3.81	3,384,956	10,154,868	350,995,603	–	364,535,427	348,738,967
		<u>199,519,205</u>	<u>10,154,868</u>	<u>736,783,811</u>	<u>–</u>	<u>946,457,884</u>	<u>913,135,254</u>

c. Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Eminence Sale Company's directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values.

23. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Eminence Sale Company have been prepared in respect of any period subsequent to 30 September 2018.

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE POST-SWAP
EASYKNIT GROUP****Introduction**

The following is an illustrative and unaudited pro forma condensed consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows (collectively referred to as the “Unaudited Pro Forma Financial Information”) of the Post-Swap Easyknit Group, which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition from the Eminence Group of the Eminence Sale Company and the entire amount of shareholder’s loan owed by the Eminence Sale Company to the Eminence Group and the proposed disposal to the Eminence Group of the Easyknit Sale Company and the entire amount of shareholder’s loan owed by the Easyknit Sale Company to the Easyknit Group (together the “Swap”) as of 30 September 2018 in the case of the unaudited pro forma condensed consolidated statement of financial position, or 1 April 2017 in the case of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018 and unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2018, after making the pro forma adjustments relating to the Swap that are factually supportable and directly attributable, as explained in the notes below.

The Unaudited Pro Forma Financial Information of the Post-Swap Easyknit Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the (i) the condensed consolidated statement of financial position as at 30 September 2018 had the Swap been completed as of 30 September 2018, and (ii) the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018 and consolidated statement of cash flows for the year ended 31 March 2018 had the Swap been completed as at 1 April 2017; or at any future dates.

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UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE POST-SWAP EASYKNIT GROUP

Unaudited Pro Forma Condensed Consolidated Statement of Financial Position

	The Easyknit Group as at 30 September 2018				Pro forma adjustments					Pro forma total for the Post-Swap Easyknit Group
	HK\$'000 (unaudited)	HK\$'000 (audited)	HK\$'000	HK\$'000	HK\$'000 (audited)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	Note 8	Note 9	
Non-current assets										
Property, plant and equipment	85,696	(146)	–	–	749	–	–	–	–	86,299
Investment properties	1,821,200	(460,000)	–	–	–	–	–	–	–	1,361,200
Interests in associates	646,366	–	–	–	–	–	–	–	–	646,366
Financial assets at fair value through profit or loss	40,270	–	–	–	–	–	–	–	–	40,270
Loans receivable	41,640	–	–	–	–	–	–	–	–	41,640
Intangible asset	500	–	–	–	–	–	–	–	–	500
Deposits	2,430	(2,225)	–	–	–	–	–	–	–	205
	<u>2,638,102</u>	<u>(462,371)</u>	<u>–</u>	<u>–</u>	<u>749</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,176,480</u>
Current assets										
Properties held for development for sale	866,494	–	–	–	938,847	–	291,423	–	–	2,096,764
Properties held for sale	564,929	–	–	–	–	–	–	–	–	564,929
Financial assets at fair value through profit or loss	148,654	–	–	–	–	–	–	–	–	148,654
Trade and other receivables	189,137	(2,187)	–	–	320	–	–	–	–	187,270
Tax recoverable	321	(227)	–	–	–	–	–	–	–	94
Amounts due from fellow subsidiaries	–	(6,090)	6,090	–	–	–	–	–	–	–
Consideration receivable from the Eminence Group	–	–	–	314,678	–	–	–	(314,678)	–	–
Loans receivable	169,970	–	–	–	–	–	–	–	–	169,970
Bank balances and cash	184,503	(127)	–	(270)	50	–	(100)	(371,583)	(1,930)	(189,457)
	<u>2,124,008</u>	<u>(8,631)</u>	<u>6,090</u>	<u>314,408</u>	<u>939,217</u>	<u>–</u>	<u>291,323</u>	<u>(686,261)</u>	<u>(1,930)</u>	<u>2,978,224</u>
Current liabilities										
Trade and other payables	51,211	(4,788)	–	–	196,389	–	–	–	–	242,812
Contract liabilities	175,200	–	–	–	–	–	–	–	–	175,200
Amount due to ultimate holding company	–	(6,010)	6,010	–	–	–	–	–	–	–
Amounts due to fellow subsidiaries	–	(249)	249	–	–	–	–	–	–	–
Amount due to a non-controlling interest	56,000	–	–	–	–	–	–	–	–	56,000
Amount due to the Eminence Group	–	–	(169)	169	–	368,262	(368,262)	–	–	–
Consideration payable to the Eminence Group	–	–	–	–	–	–	686,261	(686,261)	–	–
Tax payable	28,476	–	–	–	–	–	–	–	–	28,476
Secured bank borrowings	525,887	(8,420)	–	–	–	–	–	–	–	517,467
	<u>836,774</u>	<u>(19,467)</u>	<u>6,090</u>	<u>169</u>	<u>196,389</u>	<u>368,262</u>	<u>317,999</u>	<u>(686,261)</u>	<u>–</u>	<u>1,019,955</u>
Net current assets (liabilities)	<u>1,287,234</u>	<u>10,836</u>	<u>–</u>	<u>314,239</u>	<u>742,828</u>	<u>(368,262)</u>	<u>(26,676)</u>	<u>–</u>	<u>(1,930)</u>	<u>1,958,269</u>
Total assets less current liabilities	<u>3,925,336</u>	<u>(451,535)</u>	<u>–</u>	<u>314,239</u>	<u>743,577</u>	<u>(368,262)</u>	<u>(26,676)</u>	<u>–</u>	<u>(1,930)</u>	<u>4,134,749</u>

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UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE POST-SWAP EASYKNIT GROUP

	The Easyknit Group as at 30 September 2018				Pro forma adjustments					Pro forma total for the Post-Swap Easyknit Group
	HK\$'000 (unaudited) Note 1	HK\$'000 (audited) Note 2	HK\$'000 Note 3	HK\$'000 Note 4	HK\$'000 (audited) Note 5	HK\$'000 Note 6	HK\$'000 Note 7	HK\$'000 Note 8	HK\$'000 Note 9	HK\$'000 (unaudited)
Non-current liabilities										
Amount due to ultimate holding company	-	-	-	-	368,262	(368,262)	-	-	-	-
Secured bank borrowings	695,449	(146,902)	-	-	348,739	-	-	-	-	897,286
	695,449	(146,902)	-	-	717,001	(368,262)	-	-	-	897,286
Net assets	3,229,887	(304,633)	-	314,239	26,576	-	(26,676)	-	(1,930)	3,237,463
Capital and reserves										
Share capital	9,132	(10)	-	10	-	-	-	-	-	9,132
Reserves	3,220,789	(304,623)	-	314,229	26,576	-	(26,676)	-	(1,930)	3,228,365
Equity attributable to owners of Easyknit	3,229,921	(304,633)	-	314,239	26,576	-	(26,676)	-	(1,930)	3,237,497
Non-controlling interest	(34)	-	-	-	-	-	-	-	-	(34)
	3,229,887	(304,633)	-	314,239	26,576	-	(26,676)	-	(1,930)	3,237,463

Notes:

- The figures are extracted from the unaudited condensed consolidated statement of financial position of the Easyknit Group as at 30 September 2018 as set out in the published interim report of the Easyknit Group for the six months ended 30 September 2018.
- The adjustment represents the disposal of the Easyknit Sale Company as if the completion of the Easyknit Sale Agreement, for pro forma purpose, takes place on 30 September 2018. The financial information of the Easyknit Sale Company is extracted from the audited statement of financial position of the Easyknit Sale Company as at 30 September 2018 as set out in the accountants' report on the Easyknit Sale Company prepared by Deloitte Touche Tohmatsu which is contained in Appendix V to this circular.
- For pro forma purpose, it is assumed that, upon Completion, the outstanding balances between the Easyknit Sale Company and Easyknit and between the Easyknit Sale Company and other subsidiaries of Easyknit, amounting to a net credit balance of approximately HK\$169,000, are assigned to the Eminence Group. The adjustment represents the reclassification of (i) "amounts due from fellow subsidiaries" being a debit balance of approximately HK\$6,090,000 to "amount due to the Eminence Group"; (ii) "amounts due to fellow subsidiaries" being a credit balance of approximately HK\$249,000 to "amount due to the Eminence Group"; and (iii) "amount due to ultimate holding company" being a credit balance of approximately HK\$6,010,000 to "amount due to the Eminence Group". Any change in this net amount will affect the cash consideration received.
- The adjustment represents (i) the Easyknit Sale Consideration for the disposal of the entire issued share capital of the Easyknit Sale Company under the Easyknit Sale Agreement and the related Shareholder Loan owed to Easyknit (the "Easyknit Disposal") of HK\$470,000,000; (ii) deducted by the Bank Loan which is the outstanding principal together with interest accrued owing to OCBC Wing Hang Bank Limited by the Easyknit Sale Company of approximately HK\$155,322,000; (iii) the incurrence of expenses directly attributable to the Easyknit Disposal (including legal and other costs) of approximately HK\$270,000; (iv) recognition of gain on the Easyknit Disposal (before directly attributable expenses) of approximately HK\$9,876,000; and (v) reinstatement of pre-disposal reserves of the Easyknit Sale Company which are

included in pro forma adjustment per (2) above. Pursuant to the Easyknit Sale Agreement, the cash consideration for the Easyknit Disposal receivable from Eminence Group at completion shall be offset against the cash consideration payable to the Eminence Group under the Eminence Sale Agreement per (7) below. For pro forma purpose, it is assumed that the offset takes place upon the Completion per (8) below. It is also assumed that the Easyknit Group will settle the directly attributable expenses by cash at completion of the Easyknit Sale Agreement.

For pro forma purpose, it is assumed that the statement of financial position of the Easyknit Sale Company as at the Completion Date of the Easyknit Sale Agreement is the same as that as at 30 September 2018 as referred to in (2) above.

As set out in the Easyknit Sale Agreement, the Easyknit Sale Consideration is subject to adjustment by way of deduction of a sum equal to the amount of Bank Loan outstanding as at the Completion Date on a dollar-for-dollar basis. Further details of these are set out in the sub-section headed “Easyknit Sale Consideration” under “I. Easyknit Sale Agreement” of the section headed “The Swap Agreements” in the “Letter from the Easyknit Board” of this circular.

At the Completion Date of the Easyknit Sale Agreement, the Easyknit Sale Consideration after deducting Bank Loan outstanding is approximately HK\$314,678,000 and is analysed as follows:

	<i>HK\$'000</i>
Consideration received for disposal of:	
– 100% issued share capital of the Easyknit Sale Company	314,509
– Shareholder Loan owed by the Easyknit Sale Company to Easyknit	<u>169</u>
	<u>314,678</u>
	<i>HK\$'000</i>
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	146
Investment properties	460,000
Deposits	2,225
Trade and other receivables	2,187
Tax recoverable	227
Bank balance and cash	127
Trade and other payables	(4,788)
Secured bank borrowings	<u>(155,322)</u>
Net assets disposed of	<u>304,802</u>
	<i>HK\$'000</i>
Gain on the Easyknit Disposal:	
Cash consideration received	314,678
Net assets disposed of	<u>(304,802)</u>
Gain on disposal (before directly attributable expenses)	9,876
Directly attributable expenses	<u>(270)</u>
Net gain on disposal (after directly attributable expenses)	<u>9,606</u>

The net Shareholder Loan owed by the Easyknit Sale Company to Easyknit amounting to a credit of approximately HK\$169,000, is disposed of on a dollar-for-dollar basis, and the remaining amount of approximately HK\$314,509,000 is allocated as consideration for the disposal of 100% issued share capital of the Easyknit Sale Company.

For pro forma purpose, it is assumed that the carrying amount of the net Shareholder Loan owed by the Easyknit Sale Company to Easyknit at the Completion Date is the same amount of approximately HK\$169,000 as at 30 September 2018 as set out in the Easyknit Sale Company's statement of financial position as referred to in (2) above. Any change in this amount will affect the cash consideration received.

5. The adjustment represents the acquisition of Eminence Sale Company as if the completion of the Eminence Sale Agreement, for pro forma purpose, takes place on 30 September 2018. The financial information of the Eminence Sale Company is extracted from the audited statement of financial position of the Eminence Sale Company as at 30 September 2018 as set out in the accountants' report on the Eminence Sale Company prepared by Deloitte Touche Tohmatsu which is contained in Appendix VI to this circular.
6. For pro forma purpose, it is assumed that, upon Completion, the outstanding balance between the Eminence Sale Company and Eminence, amounting to a credit balance of approximately HK\$368,262,000, is reclassified from "amount due to ultimate holding company" to "amount due to the Eminence Group". Any change in this amount will affect the cash consideration paid.
7. The adjustment represents (i) the acquisition of entire issued share capital of the Eminence Sale Company (the "Sale Shares") under the Eminence Sale Agreement and the related Shareholder Loan owed to Eminence (the "Easyknit Acquisition") for the Eminence Sale Consideration of HK\$1,035,000,000 with the intention of realising the development profits of the Eminence Sale Company's properties (i.e. the Inverness Road Property); (ii) deducted by the Bank Loan which is the outstanding principal together with interest accrued owing to Hang Seng Bank Limited by the Eminence Sale Company of approximately HK\$348,739,000; and (iii) the incurrence of expenses directly attributable to the Easyknit Acquisition of approximately HK\$100,000. Of the total cash consideration of approximately HK\$686,261,000, (i) approximately HK\$368,262,000 represents consideration for acquiring the Shareholder Loan owed by the Eminence Sale Company to Eminence on a dollar-for-dollar basis; and (ii) the remaining approximately HK\$317,999,000 represents consideration for acquiring the Sale Shares. There is no certainty that the net amount due to the Eminence Group, after assignment referred to in (6) above, at the Completion Date is the same amount of approximately HK\$368,262,000 which will affect the consideration for the acquisition of each of the Shareholder Loan and the Sale Shares.

The Easyknit Group will settle the above consideration payable to the Eminence Group by offsetting against the cash consideration receivable from the Eminence Group under the Easyknit Sale Agreement per (4) above. For pro forma purpose, it is assumed that the offset takes place at the Completion per (8) below, and the directly attributable expenses will be paid by cash.

As the Easyknit Acquisition is accounted for as an acquisition of assets and liabilities through acquisition of a subsidiary of which the principal asset is the Inverness Road Property, the excess of the consideration paid for the Sale Shares of approximately HK\$317,999,000 over the amount of net assets assumed of approximately HK\$26,576,000, amounting to approximately HK\$291,423,000, is allocated to "properties held for development for sale". The Eminence Sale Company's trade payables related to construction is approximately HK\$183,689,000 as at 30 September 2018, which included an item of approximately HK\$180,666,000 (the "Sum Payable"). In October 2018, the Eminence Sale Company obtained a bank loan of HK\$100,000,000 and further advance from Eminence of approximately HK\$80,666,000 to finance full settlement of the Sum Payable. These caused reduction in the amount of the Eminence Sale Consideration after deducting the Bank Loan by HK\$100,000,000 and increase in the amount of Shareholder Loan owed by the Eminence Sale Company to Eminence by approximately HK\$80,666,000 as stated in (6) above. These adjustments have not been made for pro forma purpose as the settlement of the Sum Payable took place after 30 September 2018. The excess of the consideration allocated for the Sale Shares payable to Eminence over the amount of net assets assumed will be affected by any change in the amount of Shareholder Loan owed by the Eminence Sale Company to Eminence.

For pro forma purpose, it is assumed that the statement of financial position of the Eminence Sale Company as at the Completion Date of the Eminence Sale Agreement is the same as that as at 30 September 2018 as referred to in (5) above.

As set out in the Eminence Sale Agreement, the Eminence Sale Consideration is subject to adjustment by way of deduction of a sum equal to the amount of Bank Loan outstanding as at the Completion Date on a dollar-for-dollar basis. Further details of these are set out in the sub-section headed “Eminence Sale Consideration” under “II. Eminence Sale Agreement” of the section headed “The Swap Agreements” in the “Letter from the Easyknit Board” of this circular.

HK\$'000

Cash consideration paid for acquiring:

– the Sale Shares	317,999
– the Shareholder Loan	<u>368,262</u>
	<u><u>686,261</u></u>

8. The adjustment represents the net cash settlement of offsetting of the consideration receivable from the Eminence Group of approximately HK\$314,678,000 under the Easyknit Sale Agreement upon the Completion per (4) above and the consideration payable to the Eminence Group of approximately HK\$686,261,000 under the Eminence Sale Agreement upon the Completion per (7) above. For pro forma purpose, it is assumed that the net cash payable to the Eminence Group, amounting to approximately HK\$371,583,000, will be settled by cash upon the Completion.
9. The adjustment represents payment of the estimated transaction costs attributable to this circular of approximately HK\$1,930,000.
10. No adjustments have been made to reflect any trading results or other transactions of the Easyknit Group entered into subsequent to 30 September 2018, including the settlement of the Sum Payable per (7) above.

APPENDIX VII

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE POST-SWAP EASYKNIT GROUP

Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income

	The Easyknit Group Year ended 31 March 2018	Pro forma adjustments					Pro forma total for the Post-Swap Easyknit Group
	HK\$'000 (audited) Note 1	HK\$'000 (audited) Note 2	HK\$'000 (audited) Note 3	HK\$'000 (audited) Note 4	HK\$'000 (audited) Note 5	HK\$'000 (audited) Note 6	HK\$'000 (unaudited)
Revenue	331,521	(13,068)	–	–	–	–	318,453
Cost of properties sold and services rendered	(157,352)	–	–	–	–	–	(157,352)
	174,169	(13,068)	–	–	–	–	161,101
Other income	35,843	(26)	486	–	–	–	36,303
Distribution and selling expenses	(30,118)	–	–	–	–	–	(30,118)
Administrative expenses	(55,396)	3,037	(486)	(1,298)	(100)	(1,930)	(56,173)
Gain on changes in fair value of investment properties	159,475	(36,675)	–	–	–	–	122,800
Gain on changes in fair value of investments held for trading	21,859	–	–	–	–	–	21,859
Gain on redemption of convertible note	1,135	–	–	–	–	–	1,135
Gain on modification of terms of convertible note	425	–	–	–	–	–	425
Gain on disposal of a subsidiary	–	–	69,861	–	–	–	69,861
Loss on changes in fair value of financial assets designated as at fair value through profit or loss	(3,403)	–	–	–	–	–	(3,403)
Loss on changes in fair value of derivatives component of convertible notes	(2,992)	–	–	–	–	–	(2,992)
Loss on disposal of available-for-sale investments	(1,033)	–	–	–	–	–	(1,033)
Impairment loss on available-for-sale investments	(4,213)	–	–	–	–	–	(4,213)
Results attributable to interests in associates	40,993	–	–	–	–	–	40,993
Finance costs	(16,935)	3,479	–	–	–	–	(13,456)
Profit before taxation	319,809	(43,253)	69,861	(1,298)	(100)	(1,930)	343,089
Taxation charge	(22,646)	299	–	–	–	–	(22,347)
Profit for the year attributable to owners of Easyknit	297,163	(42,954)	69,861	(1,298)	(100)	(1,930)	320,742

APPENDIX VII

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE POST-SWAP EASYKNIT GROUP

	The Easyknit Group Year ended 31 March 2018	Pro forma adjustments					Pro forma total for the Post-Swap Easyknit Group
	HK\$'000 (audited) Note 1	HK\$'000 (audited) Note 2	HK\$'000 Note 3	HK\$'000 (audited) Note 4	HK\$'000 Note 5	HK\$'000 Note 6	HK\$'000 (unaudited)
Other comprehensive income (expense)							
<i>Items that may be reclassified subsequently to profit or loss:</i>							
Share of other comprehensive income (expense) of associates:							
Share of translation reserve of associates	10,013	–	–	–	–	–	10,013
Share of investment valuation reserve of associates	14,435	–	–	–	–	–	14,435
Reclassification of translation reserve to profit or loss upon deemed partial disposal of interests in associates without loss of significant influence	190	–	–	–	–	–	190
Reclassification of translation reserve to profit or loss upon deemed acquisition of additional interests in associates	(1,182)	–	–	–	–	–	(1,182)
Reclassification of investment revaluation reserve to profit or loss upon deemed partial disposal of interests in associates without loss of significant influence	(4,167)	–	–	–	–	–	(4,167)
Reclassification of investment revaluation reserve to profit or loss upon deemed acquisition of additional interests in associates	1,849	–	–	–	–	–	1,849
	21,138	–	–	–	–	–	21,138
Changes in fair value of available-for-sale investments	18,319	–	–	–	–	–	18,319
Released on disposal of available-for-sale investments	1,033	–	–	–	–	–	1,033
Reclassification adjustment upon impairment of available-for-sale investments	4,213	–	–	–	–	–	4,213
Other comprehensive income for the year	44,703	–	–	–	–	–	44,703
Total comprehensive income for the year attributable to owners of Easyknit	341,866	(42,954)	69,861	(1,298)	(100)	(1,930)	365,445

Notes:

1. The figures are extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Easyknit Group for the year ended 31 March 2018 as set out in the published annual report of the Easyknit Group for the year ended 31 March 2018.
2. The adjustment represents the disposal of the Easyknit Sale Company as if the completion of the Easyknit Sale Agreement, for pro forma purpose, takes place on 1 April 2017. The financial information of the Easyknit Sale Company is extracted from the audited statement of profit or loss and other comprehensive income of the Easyknit Sale Company for the year ended 31 March 2018 as set out in the accountants' report on the Easyknit Sale Company prepared by Deloitte Touche Tohmatsu which is contained in Appendix V to this circular.
3. For the purpose of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income, the financial impact for a 12-month accounting period of the Easyknit Group is presented. The latest 12-month accounting period is the year ended 31 March 2018. Also, for the purpose of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income, it is assumed that the relevant transaction had taken place at the beginning of the period, i.e. 1 April 2017. The financial position as at 31 March 2017 is therefore referred to for calculating the gain on the Easyknit Disposal.

For pro forma purpose, it is assumed that the statement of financial position of the Easyknit Sale Company as at the Completion Date of the Easyknit Sale Agreement is the same as that as at 31 March 2017 contained in Appendix V to this circular. As set out in the Easyknit Sale Agreement, the Easyknit Sale Consideration is subject to adjustment by way of deduction of a sum equal to the amount of Bank Loan outstanding as at the Completion Date on a dollar-for-dollar basis. Further details of these are set out in the sub-section headed "Easyknit Sale Consideration" under "I. Easyknit Sale Agreement" of the section headed "The Swap Agreements" in the "Letter from the Easyknit Board" of this circular.

At the Completion Date of the Easyknit Sale Agreement, the Easyknit Sale Consideration of HK\$470,000,000 after deducting Bank Loan outstanding of approximately HK\$168,346,000 is approximately HK\$301,654,000 and is analysed as follows:

	<i>HK\$'000</i>
Consideration received for disposal of:	
– 100% issued share capital of the Easyknit Sale Company	493,500
– Shareholder Loan owed by the Easyknit Sale Company to Easyknit (being a net debit balance) (<i>Note A</i>)	(191,846)
	<u>301,654</u>
	<i>HK\$'000</i>
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	222
Investment properties	406,900
Trade and other receivables	602
Bank balance and cash	64
Trade and other payables	(7,810)
Tax payable	(109)
Secured bank borrowings	(168,346)
	<u>231,523</u>
Net assets disposed of	

HK\$'000

Gain on the Easyknit Disposal:	
Cash consideration received	301,654
Net assets disposed of	<u>(231,523)</u>
Gain on disposal (before directly attributable expenses)	70,131
Directly attributable expenses	<u>(270)</u>
Net gain on disposal (after directly attributable expenses)	<u><u>69,861</u></u>

For pro forma purpose, it is assumed that upon completion of the Easyknit Sale Agreement, the net Shareholder Loan owed by the Easyknit Sale Company to Easyknit of approximately HK\$191,846,000 (net debit balance), comprising amount due from Easyknit of approximately HK\$315,995,000, amounts due from other subsidiaries of Easyknit of approximately HK\$8,307,000 and amounts due to other subsidiaries of Easyknit of approximately HK\$132,456,000, is disposed of on a dollar-for-dollar basis, and the remaining amount of approximately HK\$493,500,000 is allocated as consideration for the disposal of 100% issued share capital of the Easyknit Sale Company.

The amount of approximately HK\$486,000 represents the reinstatement of agency fee income from the Easyknit Sale Company to other subsidiaries of Easyknit during the year ended 31 March 2018.

Note A:

For pro forma purpose, it is assumed that the carrying amount of the Shareholder Loan owed by the Easyknit Sale Company to Easyknit at the Completion Date is the same amount of approximately HK\$191,846,000 as at 31 March 2017 as set out in the accountants' report on the Easyknit Sale Company prepared by Deloitte Touche Tohmatsu which is contained in Appendix V to this circular. Any change in this amount will affect the cash consideration received.

- The adjustment represents the acquisition of Eminence Sale Company as if the completion of the Eminence Sale Agreement, for pro forma purpose, takes place on 1 April 2017. The financial information of the Eminence Sale Company is extracted from the audited statement of profit or loss and other comprehensive income of the Eminence Sale Company for the year ended 31 March 2018 as set out in the accountants' report on the Eminence Sale Company prepared by Deloitte Touche Tohmatsu which is contained in Appendix VI to this circular.
- The adjustment represents the incurrence of expenses directly attributable to the Easyknit Acquisition of approximately HK\$100,000 which is recognised in profit or loss and payment of the Eminence Sale Consideration.

As set out in the Eminence Sale Agreement, the Eminence Sale Consideration is subject to adjustment by way of deduction of a sum equal to the amount of Bank Loan outstanding as at the Completion Date on a dollar-for-dollar basis. The Eminence Sale Consideration (after deducting Bank Loan of approximately HK\$269,640,000) is approximately HK\$765,360,000. Of this amount, (i) approximately HK\$227,201,000 represents consideration for acquiring the Shareholder Loan on a dollar-for-dollar basis, the amount of which is derived as set out below; and (ii) the remaining approximately HK\$538,159,000 represents consideration for acquiring the Sale Shares.

HK\$'000

Cash consideration paid for acquiring:	
– the Sale Shares	538,159
– the Shareholder Loan	<u>227,201</u>
	<u><u>765,360</u></u>

For pro forma purpose, it is assumed that, upon completion of the Eminence Sale Agreement, the outstanding balance due to Eminence of approximately HK\$224,448,000 and the outstanding balance due to other subsidiaries of Eminence of approximately HK\$2,753,000, amounting to an aggregate credit balance of approximately HK\$227,201,000, are disposed of to Easyknit. There is no certainty that the net amount due to the Eminence Group at the Completion Date of the Eminence Sale Agreement is the same amount of approximately HK\$227,201,000. Any change in this amount will affect the cash consideration for the acquisition of each of the Shareholder Loan and the Sale Shares.

6. The adjustment represents payment of the estimated transaction costs attributable to this circular of approximately HK\$1,930,000.
7. No adjustments have been made to reflect any trading results or other transactions of the Easyknit Group entered into subsequent to 31 March 2018.

APPENDIX VII

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE POST-SWAP EASYKNIT GROUP

Unaudited Pro Forma Consolidated Statement of Cash Flows

	The Easyknit Group Year ended 31 March 2018			Pro forma adjustments			Pro forma total for the Post-Swap Easyknit Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)		(audited)			(unaudited)
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	
Cash flows from operating activities							
Profit before taxation	319,809	(43,253)	69,861	(1,298)	(100)	(1,930)	343,089
Adjustments for:							
Interest income	(26,164)	–	–	–	–	–	(26,164)
Interest expense	16,935	(3,479)	–	–	–	–	13,456
Depreciation of property, plant and equipment	4,119	(53)	–	144	–	–	4,210
Amortisation of premium and other expenses charged on a life insurance policy	282	–	–	–	–	–	282
Dividend income from listed investments	(7,527)	–	–	–	–	–	(7,527)
Gain on changes in fair value of investment properties	(159,475)	36,675	–	–	–	–	(122,800)
Gain on redemption of convertible note	(1,135)	–	–	–	–	–	(1,135)
Gain on modification of terms of convertible note	(425)	–	–	–	–	–	(425)
Gain on disposal of a subsidiary	–	–	(69,861)	–	–	–	(69,861)
Loss on disposal of available-for-sale investments	1,033	–	–	–	–	–	1,033
Gain on changes in fair value of investments held for trading	(21,859)	–	–	–	–	–	(21,859)
Loss on changes in fair value of financial assets designated as at fair value through profit or loss	3,403	–	–	–	–	–	3,403
Loss on changes in fair value of derivatives component of convertible notes	2,992	–	–	–	–	–	2,992
Results attributable to interests in associates	(40,993)	–	–	–	–	–	(40,993)
Impairment loss on available-for-sale investments	4,213	–	–	–	–	–	4,213
Operating cash flows before movements in working capital	95,208	(10,110)	–	(1,154)	(100)	(1,930)	81,914
Increase in properties held for development for sale	(476,155)	–	–	(168,592)	–	–	(644,747)
Decrease in properties held for sale	150,954	–	–	–	–	–	150,954
Decrease in investments held for trading	263,042	–	–	–	–	–	263,042
Increase in trade and other receivables	(98,351)	325	–	(2)	–	–	(98,028)
Decrease in loans receivable	49,593	–	–	–	–	–	49,593
(Decrease) increase in trade and other payables	(32,028)	1,357	–	3,898	–	–	(26,773)
Cash used in operations	(47,737)	(8,428)	–	(165,850)	(100)	(1,930)	(224,045)
Hong Kong Profits Tax paid	(18,122)	695	–	(311)	–	–	(17,738)
Dividend received from investments held for trading	47	–	–	–	–	–	47
Net cash used in operating activities	(65,812)	(7,733)	–	(166,161)	(100)	(1,930)	(241,736)

APPENDIX VII

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE POST-SWAP EASYKNIT GROUP

	The Easyknit Group Year ended 31 March 2018	Pro forma adjustments					Pro forma total for the Post-Swap Easyknit Group
	HK\$'000 (audited) Note 1	HK\$'000 (audited) Note 2	HK\$'000 (audited) Note 3	HK\$'000 (audited) Note 4	HK\$'000 (audited) Note 5	HK\$'000 (audited) Note 6	HK\$'000 (unaudited)
Cash flows from investing activities							
Redemption of financial assets designated as at fair value through profit or loss	585,019	–	–	–	–	–	585,019
Proceeds from redemption of convertible notes	35,000	–	–	–	–	–	35,000
Proceeds received from disposal of available-for-sale investments	20,357	–	–	–	–	–	20,357
Interest received	20,057	–	–	–	–	–	20,057
Dividend received from available-for-sale investments	1,239	–	–	–	–	–	1,239
Acquisition of financial assets designated as at fair value through profit or loss	(620,000)	–	–	–	–	–	(620,000)
Acquisition of convertible notes	(44,200)	–	–	–	–	–	(44,200)
Acquisition of available-for-sale investments	(16,890)	–	–	–	–	–	(16,890)
Purchase of property, plant and equipment	(6,037)	–	–	(958)	–	–	(6,995)
Additions of investment properties	(3,425)	3,425	–	–	–	–	–
Advance to the Eminence Group	–	(160)	–	–	–	–	(160)
Repayment from the Eminence Group	–	132,615	–	–	–	–	132,615
Deposit paid for investment properties	(1,970)	1,970	–	–	–	–	–
Deposit paid for acquisition of property, plant and equipment	(139)	–	–	–	–	–	(139)
Net cash outflow on disposal of a subsidiary	–	–	(270)	–	–	–	(270)
Net settlement of Post-Swap Easyknit Group	–	–	301,654	–	(765,360)	–	(463,706)
Net cash used in investing activities	(30,989)	137,850	301,384	(958)	(765,360)	–	(358,073)
Cash flows from financing activities							
Bank borrowings raised	517,560	–	–	32,077	–	–	549,637
Repayment of bank borrowings	(265,717)	8,760	–	–	–	–	(256,957)
Interest paid	(26,174)	3,479	–	(8,138)	–	–	(30,833)
Dividend paid	(3,971)	–	–	–	–	–	(3,971)
Repayment to a former subsidiary	–	(140,570)	–	–	–	–	(140,570)
Repayment to the Eminence Group	–	(14,209)	–	–	–	–	(14,209)
Advance from the Eminence Group	–	12,396	–	–	–	–	12,396
Advance to the Eminence Group	–	–	–	(2,753)	–	–	(2,753)
Advance from Eminence	–	–	–	177,592	–	–	177,592
Repayment to Eminence	–	–	–	(31,700)	–	–	(31,700)
Net cash from financing activities	221,698	(130,144)	–	167,078	–	–	258,632
Net increase (decrease) in cash and cash equivalents	124,897	(27)	301,384	(41)	(765,460)	(1,930)	(341,177)
Cash and cash equivalents at beginning of the year	25,473	(64)	64	80	(80)	–	25,473
Cash and cash equivalents at end of the year, represented by bank balances and cash	150,370	(91)	301,448	39	(765,540)	(1,930)	(315,704)

Notes:

1. The figures are extracted from the audited consolidated statement of cash flows of the Easyknit Group for the year ended 31 March 2018 as set out in the published annual report of the Easyknit Group for the year ended 31 March 2018.
2. The adjustment represents the elimination of cash flows of the Easyknit Sale Company as if the completion of the Easyknit Sale Agreement, for pro forma purpose, takes place on 1 April 2017. The financial information of the Easyknit Sale Company is extracted from the audited statement of cash flows of the Easyknit Sale Company for the year ended 31 March 2018 as set out in the accountants' report on the Easyknit Sale Company prepared by Deloitte Touche Tohmatsu which is contained in Appendix V to this circular.
3. The adjustment represents settlement in cash at the Completion Date of the Easyknit Sale Agreement (i) the total cash consideration of the Easyknit Disposal amounting to approximately HK\$301,654,000; and (ii) expenses directly attributable to the Easyknit Disposal of approximately HK\$270,000 recognised in profit or loss. Details of how the aforesaid amounts are derived are set out in Note 3 to the "Unaudited pro forma consolidated statement of profit or loss and other comprehensive income" of this appendix. The effect of net cash settlement together with the acquisition of the Eminence Sale Company is considered together with (5) below.
4. The adjustment represents the acquisition of the Eminence Sale Company as if the completion of the Eminence Sale Agreement, for pro forma purpose, takes place on 1 April 2017. The financial information of the Eminence Sale Company is extracted from the audited statement of cash flows of the Eminence Sale Company for the year ended 31 March 2018 as set out in the accountants' report on the Eminence Sale Company prepared by Deloitte Touche Tohmatsu which is contained in Appendix VI to this circular.
5. The adjustment represents settlement in cash at the Completion Date of the Eminence Sale Agreement (i) the total cash consideration of the Easyknit Acquisition amounting to approximately HK\$765,360,000; and (ii) expenses directly attributable to the Easyknit Acquisition of approximately HK\$100,000 recognised in profit or loss. Details of how the aforesaid amounts are derived are set out in Note 5 to the "Unaudited pro forma consolidated statement of profit or loss and other comprehensive income" of this appendix. The effect of net settlement together with the disposal of the Easyknit Sale Company is considered together with (3) above.
6. The adjustment represents payment of the estimated transaction costs attributable to this circular of approximately HK\$1,930,000.
7. No adjustments have been made to reflect any trading results or other transactions of the Easyknit Group entered into subsequent to 31 March 2018.

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

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of Easyknit, in respect of the unaudited pro forma financial information of the Post-Swap Easyknit Group prepared for the purpose of incorporation in this circular.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF EASYKNIT INTERNATIONAL HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Easyknit International Holdings Limited ("Easyknit") and its subsidiaries (hereinafter collectively referred to as the "Easyknit Group") by the directors of Easyknit (the "Easyknit Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma condensed consolidated statement of financial position as at 30 September 2018, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018, the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2018 and related notes as set out in Section A of Appendix VII to the circular issued jointly by Easyknit and Eminence Enterprise Limited ("Eminence") dated 12 February 2019 (the "Circular"). The applicable criteria on the basis of which the Easyknit Directors have compiled the unaudited pro forma financial information are described in Section A of Appendix VII to the Circular.

The unaudited pro forma financial information has been compiled by the Easyknit Directors to illustrate the impact of, among others, the proposed acquisition from a wholly-owned subsidiary of Eminence all the issued share capital of Total Expect Limited and the entire amount of shareholder's loan owed by Total Expect Limited and the proposed disposal to a wholly-owned subsidiary of Eminence by a wholly-owned subsidiary of Easyknit all the issued share capital of Wellmake Investments Limited and the entire amount of shareholder's loan owed by Wellmake Investments Limited (together the "Swap") on the Easyknit Group's financial position as at 30 September 2018 and the Easyknit Group's financial performance and cash flows for the year ended 31 March 2018 as if the Swap had taken place at 30 September 2018 and 1 April 2017, respectively. As part of this process, information about the Easyknit Group's financial position has been extracted by the Easyknit Directors from the Easyknit Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2018, on which no review report has been published;

and information about the financial performance and cash flows has been extracted by the Easyknit Directors from the Easyknit Group's audited consolidated financial statements for the year ended 31 March 2018, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Easyknit Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2018 or 1 April 2017 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Easyknit Group; and

- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 February 2019

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE POST-SWAP
EMINENCE GROUP****Introduction**

The following is an illustrative and unaudited pro forma condensed consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows (collectively referred to as the “Unaudited Pro Forma Financial Information”) of the Post-Swap Eminence Group, which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of (i) the proposed acquisition from the Easyknit Group of the Easyknit Sale Company and the entire amount of shareholder’s loan owed by the Easyknit Sale Company to the Easyknit Group and the proposed disposal to the Easyknit Group of the Eminence Sale Company and the entire amount of shareholder’s loan owed by the Eminence Sale Company to the Eminence Group (together the “Swap”) and (ii) the entering into of the Property Management Agreement when the Easyknit Sale Company becomes a subsidiary of Eminence as if the Swap had been completed and the Property Management Agreement had been entered into as of 30 September 2018 in the case of the unaudited pro forma condensed consolidated statement of financial position as at 30 September 2018, or 1 April 2017 in the case of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018 and unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2018, after making the pro forma adjustments relating to (i) the Swap and the (ii) entering into of the Property Management Agreement that are factually supportable and directly attributable, as explained in the notes below.

The Unaudited Pro Forma Financial Information of the Post-Swap Eminence Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of (i) the condensed consolidated statement of financial position as at 30 September 2018 had the Swap been completed and had the Property Management Agreement been entered into as of 30 September 2018, and (ii) the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018 and consolidated statement of cash flows for the year ended 31 March 2018 had the Swap been completed and had the Property Management Agreement been entered into as at 1 April 2017; or at any future dates.

APPENDIX VIII

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE POST-SWAP EMINENCE GROUP

Unaudited Pro Forma Condensed Consolidated Statement of Financial Position

	The Eminence Group as at 30 September 2018				Pro forma adjustments					Pro forma total for the Post-Swap Eminence Group
	HK\$'000 (unaudited) Note 1	HK\$'000 (audited) Note 2	HK\$'000 (audited) Note 3	HK\$'000 (audited) Note 4	HK\$'000 (audited) Note 5	HK\$'000 (audited) Note 6	HK\$'000 (audited) Note 7	HK\$'000 (audited) Note 8	HK\$'000 (audited) Note 9	HK\$'000 (unaudited)
Non-current assets										
Property, plant and equipment	3,936	(749)	–	146	–	–	–	–	–	3,333
Investment properties	1,107,320	–	–	460,000	–	9,876	(9,876)	–	–	1,567,320
Deposit paid for investment properties	–	–	–	2,225	–	–	–	–	–	2,225
Loans receivable	23,119	–	–	–	–	–	–	–	–	23,119
	<u>1,134,375</u>	<u>(749)</u>	<u>–</u>	<u>462,371</u>	<u>–</u>	<u>9,876</u>	<u>(9,876)</u>	<u>–</u>	<u>–</u>	<u>1,595,997</u>
Current assets										
Properties held for development for sale	2,711,284	(938,847)	(53,459)	–	–	–	–	–	–	1,718,978
Trade and other receivables	36,299	(320)	–	2,187	–	–	–	–	–	38,166
Loans receivable	297,859	–	–	–	–	–	–	–	–	297,859
Financial assets at fair value through profit or loss	72,439	–	–	–	–	–	–	–	–	72,439
Amounts due from fellow subsidiaries	–	–	–	6,090	(6,090)	–	–	–	–	–
Consideration receivable from the Easyknit Group	–	–	686,261	–	–	–	–	(686,261)	–	–
Tax recoverable	–	–	–	227	–	–	–	–	–	227
Bank balances and cash	123,066	(50)	(100)	127	–	(1,210)	–	371,583	(1,710)	491,706
	<u>3,240,947</u>	<u>(939,217)</u>	<u>632,702</u>	<u>8,631</u>	<u>(6,090)</u>	<u>(1,210)</u>	<u>–</u>	<u>(314,678)</u>	<u>(1,710)</u>	<u>2,619,375</u>
Current liabilities										
Trade and other payables	279,551	(196,389)	–	4,788	–	–	–	–	–	87,950
Tax payable	8,987	–	–	–	–	–	–	–	–	8,987
Amount due to ultimate holding company	–	–	–	6,010	(6,010)	–	–	–	–	–
Amounts due to fellow subsidiaries	–	–	–	249	(249)	–	–	–	–	–
Amount due to the Easyknit Group	–	–	–	–	169	(169)	–	–	–	–
Consideration payable to the Easyknit Group	–	–	–	–	–	314,678	–	(314,678)	–	–
Convertible notes	75,945	–	–	–	–	–	–	–	–	75,945
Secured bank borrowings	314,150	–	–	8,420	–	–	–	–	–	322,570
	<u>678,633</u>	<u>(196,389)</u>	<u>–</u>	<u>19,467</u>	<u>(6,090)</u>	<u>314,509</u>	<u>–</u>	<u>(314,678)</u>	<u>–</u>	<u>495,452</u>
Net current assets (liabilities)	<u>2,562,314</u>	<u>(742,828)</u>	<u>632,702</u>	<u>(10,836)</u>	<u>–</u>	<u>(315,719)</u>	<u>–</u>	<u>–</u>	<u>(1,710)</u>	<u>2,123,923</u>
Total assets less current liabilities	<u>3,696,689</u>	<u>(743,577)</u>	<u>632,702</u>	<u>451,535</u>	<u>–</u>	<u>(305,843)</u>	<u>(9,876)</u>	<u>–</u>	<u>(1,710)</u>	<u>3,719,920</u>
Non-current liabilities										
Amount due to ultimate holding company	–	(368,262)	368,262	–	–	–	–	–	–	–
Deferred tax liabilities	31,837	–	–	–	–	–	–	–	–	31,837
Secured bank borrowings	1,033,365	(348,739)	–	146,902	–	–	–	–	–	831,528
	<u>1,065,202</u>	<u>(717,001)</u>	<u>368,262</u>	<u>146,902</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>863,365</u>
Net assets	<u>2,631,487</u>	<u>(26,576)</u>	<u>264,440</u>	<u>304,633</u>	<u>–</u>	<u>(305,843)</u>	<u>(9,876)</u>	<u>–</u>	<u>(1,710)</u>	<u>2,856,555</u>
Capital and reserves										
Share capital	29,658	–	–	10	–	(10)	–	–	–	29,658
Reserves	2,601,829	(26,576)	264,440	304,623	–	(305,833)	(9,876)	–	(1,710)	2,826,897
Total equity	<u>2,631,487</u>	<u>(26,576)</u>	<u>264,440</u>	<u>304,633</u>	<u>–</u>	<u>(305,843)</u>	<u>(9,876)</u>	<u>–</u>	<u>(1,710)</u>	<u>2,856,555</u>

Notes:

1. The figures are extracted from the unaudited condensed consolidated statement of financial position of the Eminence Group as at 30 September 2018 as set out in the published interim report of the Eminence Group for the six months ended 30 September 2018.
2. The adjustment represents the disposal of the Eminence Sale Company as if the completion of the Eminence Sale Agreement, for pro forma purpose, takes place on 30 September 2018. The financial information of the Eminence Sale Company is extracted from the audited statement of financial position of the Eminence Sale Company as at 30 September 2018 as set out in the accountants' report on the Eminence Sale Company prepared by Deloitte Touche Tohmatsu which is contained in Appendix VI to this circular.
3. The adjustment represents (i) the Eminence Sale Consideration for the disposal of the entire issued share capital of the Eminence Sale Company under the Eminence Sale Agreement and the related Shareholder Loan owed to Eminence (the "Eminence Disposal") of HK\$1,035,000,000; (ii) deducted by the Bank Loan which is the outstanding principal together with interest accrued owing to Hang Seng Bank Limited by the Eminence Sale Company of approximately HK\$348,739,000; (iii) the incurrence of expenses directly attributable to the Eminence Disposal (including legal and other costs) of approximately HK\$100,000; (iv) recognition of gain on the Eminence Disposal (before directly attributable expenses) of approximately HK\$237,964,000; and (v) reinstatement of pre-disposal reserves of the Eminence Sale Company which are included in pro forma adjustment per (2) above. Pursuant to the Eminence Sale Agreement, the cash consideration for the Eminence Disposal receivable from the Easyknit Group at completion of the Eminence Sale Agreement shall be offset against the cash consideration payable to the Easyknit Group under the Easyknit Sale Agreement per (6) below. For pro forma purpose, it is assumed that the offset takes place upon the Completion per (8) below. For pro forma purpose, it is also assumed that the Eminence Group will settle the directly attributable expenses by cash at completion of the Eminence Sale Agreement. The consideration allocated for disposal of the issued share capital of the Eminence Sale Company receivable from Easyknit over the amount of net assets disposed of will be affected by any change in the amount of Shareholder Loan owed by the Eminence Sale Company to Eminence.

For pro forma purpose, it is assumed that the statement of financial position of the Eminence Sale Company as at the Completion Date of the Eminence Sale Agreement is the same as that as at 30 September 2018 as referred to in (2) above.

As set out in the Eminence Sale Agreement, the Eminence Sale Consideration is subject to adjustment by way of deduction of a sum equal to the amount of Bank Loan outstanding as at the Completion Date on a dollar-for-dollar basis. Further details of these are set out in the sub-section headed "Eminence Sale Consideration" under "II. Eminence Sale Agreement" of the section headed "The Swap Agreements" in the "Letter from the Eminence Board" of this circular.

At the Completion Date of the Eminence Sale Agreement, the Eminence Sale Consideration after deducting Bank Loan outstanding is approximately HK\$686,261,000 and is analysed as follows:

HK\$'000

Consideration received for disposal of:

– 100% issued share capital of the Eminence Sale Company	317,999
– Shareholder Loan owed by the Eminence Sale Company to Eminence (<i>Note A</i>)	<u>368,262</u>
	<u>686,261</u>

APPENDIX VIII

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE POST-SWAP
EMINENCE GROUP**

HK\$'000

Analysis of assets and liabilities over which control was lost:

Property, plant and equipment	749
Properties held for development for sale (<i>Note A</i>)	992,306
Other receivables	320
Bank balances and cash	50
Trade and other payables (<i>Note B</i>)	(196,389)
Secured bank borrowings (<i>Note B</i>)	<u>(348,739)</u>

Net assets disposed of	<u><u>448,297</u></u>
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HK\$'000

Gain on the Eminence Disposal:

Cash consideration received	686,261
Net assets disposed of	<u>(448,297)</u>

Gain on disposal (before directly attributable expenses)	237,964
Directly attributable expenses	<u>(100)</u>

Net gain on disposal (after directly attributable expenses)	<u><u>237,864</u></u>
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The Shareholder Loan owed by the Eminence Sale Company to Eminence, amounting to approximately HK\$368,262,000, is disposed of on a dollar-for-dollar basis, and the remaining amount of approximately HK\$317,999,000 is allocated as consideration for the disposal of 100% issued share capital of the Eminence Sale Company.

Note A:

For pro forma purpose, it is assumed that the carrying amount of the Shareholder Loan owed by the Eminence Sale Company to Eminence at the Completion Date is the same amount of approximately HK\$368,262,000 as at 30 September 2018 as set out in the Eminence Sale Company's statement of financial position as referred to in (2) above. Any change in this amount will affect the cash consideration received.

At the Completion Date, the carrying amount of Eminence Sale Company's properties held for development for sale is derived as follows:

HK\$'000

Carrying amount as at 30 September 2018	938,847
Reinstatement to the Eminence Group's purchase cost on its acquisition of assets through acquisition of the Eminence Sale Company net of subsequent impairment loss recognised	70,802
Elimination of capitalised imputed interest on the non-interest bearing amount due to Eminence up to 30 September 2018 as per Note C below	<u>(17,343)</u>
	<u><u>992,306</u></u>

Note B:

The Eminence Sale Company's trade payables related to construction is approximately HK\$183,689,000 as at 30 September 2018, which included an item of approximately HK\$180,666,000 (the "Sum Payable"). In October 2018, the Eminence Sale Company obtained a bank loan of HK\$100,000,000 and further advance from Eminence of approximately HK\$80,666,000 to finance full settlement of the Sum Payable. These caused reduction in the amount of the Eminence Sale Consideration after deducting the Bank Loan by HK\$100,000,000 and increase in the amount of Shareholder Loan owed by the Eminence Sale Company to Eminence by approximately HK\$80,666,000 as stated above. These adjustments have not been made for pro forma purpose as the settlement of the Sum Payable took place after 30 September 2018.

Note C:

The carrying amount of the Eminence Sale Company's properties held for development for sale includes an amount of approximately HK\$17,343,000 representing capitalised imputed interest on the non-interest bearing amount due to Eminence by the Eminence Sale Company. This intra-group imputed interest is eliminated from the Eminence Group's properties held for development for sale.

4. The adjustment represents the acquisition of the Easyknit Sale Company as if the completion of the Easyknit Sale Agreement, for pro forma purpose, takes place on 30 September 2018. The financial information of the Easyknit Sale Company is extracted from the audited statement of financial position of the Easyknit Sale Company as at 30 September 2018 as set out in the accountants' report on the Easyknit Sale Company prepared by Deloitte Touche Tohmatsu which is contained in Appendix V to this circular.
5. For pro forma purpose, it is assumed that, upon Completion, the outstanding balances between the Easyknit Sale Company and Easyknit and between the Easyknit Sale Company and other subsidiaries of Easyknit, amounting to a net credit balance of approximately HK\$169,000, are assigned to the Easyknit Group. The adjustment represents the reclassification of (i) "amounts due from fellow subsidiaries" being a debit balance of approximately HK\$6,090,000 to "amount due to the Easyknit Group"; (ii) "amounts due to fellow subsidiaries" being a credit balance of approximately HK\$249,000 to "amount due to the Easyknit Group"; and (iii) "amount due to ultimate holding company" being a credit balance of approximately HK\$6,010,000 to "amount due to the Easyknit Group". Any change in this net amount will affect the cash consideration paid.
6. The adjustment represents (i) the acquisition of the entire issued share capital of the Easyknit Sale Company (the "Sale Shares") under the Easyknit Sale Agreement and the related Shareholder Loan owed to Easyknit (the "Eminence Acquisition") for the Easyknit Sale Consideration of HK\$470,000,000 with the intention of the Easyknit Sale Company's properties (i.e. Easy Tower) being held to earn rentals and/or for capital appreciation (i.e. as investment properties); (ii) deducted by the Bank Loan which is the outstanding principal together with interest accrued owing to OCBC Wing Hang Bank Limited by the Easyknit Sale Company of approximately HK\$155,322,000; and (iii) the incurrence of expenses directly attributable to the Eminence Acquisition of approximately HK\$1,210,000, including Ad Valorem Stamp Duty of approximately HK\$940,000, which are recognised in profit or loss. Of the total cash consideration of approximately HK\$314,678,000, (i) approximately HK\$169,000 represents consideration for acquiring the Shareholder Loan owed by the Easyknit Sale Company to Easyknit on a dollar-for-dollar basis, the amount of which is derived per (5) above; and (ii) the remaining approximately HK\$314,509,000 represents consideration for acquiring the Sale Shares. There is no certainty that the net amount due to the Easyknit Group, after assignment referred to in (5) above, at the Completion Date is the same amount of approximately HK\$169,000 which will affect the consideration for the acquisition of each of the Shareholder Loan and the Sale Shares. The Eminence Group will settle the above consideration payable to the Easyknit Group by offsetting against the cash consideration receivable from the Easyknit Group under the Eminence Sale Agreement per (3) above. For pro forma purpose, it is assumed that the offset takes place at the Completion per (8) below, and the directly attributable expenses will be paid by cash. As the Eminence Acquisition is accounted for as an acquisition of assets and liabilities through acquisition of a subsidiary of which the principal asset is Easy Tower, the excess of the consideration paid for the Sale Shares of approximately HK\$314,509,000 over the amount of net assets assumed of approximately HK\$304,633,000, amounting to approximately HK\$9,876,000, is allocated to "investment properties".

For pro forma purpose, it is assumed that the statement of financial position of the Easyknit Sale Company as at the Completion Date of the Easyknit Sale Agreement is the same as that as at 30 September 2018 as referred to in (4) above.

As set out in the Easyknit Sale Agreement, the Easyknit Sale Consideration is subject to adjustment by way of deduction of a sum equal to the amount of Bank Loan outstanding as at the Completion Date on a dollar-for-dollar basis. Further details of these are set out in the sub-section headed “Easyknit Sale Consideration” under “I. Easyknit Sale Agreement” of the section headed “The Swap Agreements” in the “Letter from the Eminence Board” of this circular.

HK\$'000

Cash consideration paid for acquiring:

– the Sale Shares	314,509
– the Shareholder Loan	169
	<u>314,678</u>

7. The adjustment represents the recognition of fair value loss of HK\$9,876,000 of Easy Tower (being investment properties). For pro forma purpose, it is assumed that the fair value of Easy Tower at the Completion Date is the same amount of fair value as at 30 September 2018, being HK\$460,000,000, as assessed by Colliers International (Hong Kong) Limited, an independent valuer, adopting the income approach. There is no certainty that the fair value of Easy Tower at the Completion Date is the same amount of HK\$460,000,000 being fair value as at 30 September 2018. Any change in this amount will affect the fair value gain/loss of Easy Tower being recognised in profit or loss.
8. The adjustment represents the net cash settlement of offsetting of the consideration receivable from the Easyknit Group of approximately HK\$686,261,000 under the Eminence Sale Agreement upon the Completion per (3) above and the consideration payable to the Easyknit Group of approximately HK\$314,678,000 under the Easyknit Sale Agreement upon the Completion per (6) above. For pro forma purpose, it is assumed that the net cash receivable from the Easyknit Group, amounting to approximately HK\$371,583,000, will be settled by cash upon the Completion.
9. The adjustment represents payment of the estimated transaction costs attributable to this circular of approximately HK\$1,710,000.
10. No adjustments have been made to reflect any trading results or other transactions of the Eminence Group entered into subsequent to 30 September 2018, including the settlement of the Sum Payable per Note B of (3) above.

APPENDIX VIII

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE POST-SWAP EMINENCE GROUP

Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income

	The Eminence Group Year ended 31 March 2018				Pro forma adjustments				Pro forma total for the Post-Swap Eminence Group
	HK\$'000 (audited) Note 1	HK\$'000 (audited) Note 2	HK\$'000 Note 3	HK\$'000 (audited) Note 4	HK\$'000 Note 5	HK\$'000 Note 6	HK\$'000 Note 7	HK\$'000 Note 8	HK\$'000 (unaudited)
Revenue	49,605	–	–	13,068	–	–	–	–	62,673
Cost of properties sold and services rendered	(2,880)	–	–	–	–	–	–	–	(2,880)
	46,725	–	–	13,068	–	–	–	–	59,793
Other income	7,677	–	–	26	–	–	–	–	7,703
Other gains and losses	1,552	–	–	–	–	–	–	–	1,552
Other expenses	(121)	–	–	–	–	–	–	–	(121)
Distribution and selling expenses	(40)	–	–	–	–	–	–	–	(40)
Administrative expenses	(35,525)	1,298	–	(3,037)	(1,210)	–	(420)	(1,710)	(40,604)
Net loss on modification of terms of convertible note	(1,023)	–	–	–	–	–	–	–	(1,023)
Gain on changes in fair value of investment properties	72,337	–	–	36,675	–	13,000	–	–	122,012
Gain on disposal of a subsidiary	–	–	456,859	–	–	–	–	–	456,859
Impairment loss on available-for-sale investments	(3,406)	–	–	–	–	–	–	–	(3,406)
Loss on fair value changes of investments held for trading	(2,195)	–	–	–	–	–	–	–	(2,195)
Finance costs	(31,373)	–	–	(3,479)	–	–	–	–	(34,852)
Profit before taxation	54,608	1,298	456,859	43,253	(1,210)	13,000	(420)	(1,710)	565,678
Taxation	(1,069)	–	–	(299)	–	–	–	–	(1,368)
Profit for the year attributable to owners of Eminence	53,539	1,298	456,859	42,954	(1,210)	13,000	(420)	(1,710)	564,310
Other comprehensive income (expense)									
<i>Items that may be reclassified subsequently to profit or loss:</i>									
Exchange differences arising on translation of financial statements of foreign operations	37,095	–	–	–	–	–	–	–	37,095
Change in fair value of available-for-sale investments	45,029	–	–	–	–	–	–	–	45,029
Reclassification adjustment upon impairment of available-for-sale investments	3,406	–	–	–	–	–	–	–	3,406
Release upon disposal of available-for-sale investments	(45)	–	–	–	–	–	–	–	(45)
Other comprehensive income for the year	85,485	–	–	–	–	–	–	–	85,485
Total comprehensive income for the year attributable to owners of Eminence	139,024	1,298	456,859	42,954	(1,210)	13,000	(420)	(1,710)	649,795

Notes:

1. The figures are extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Eminence Group for the year ended 31 March 2018 as set out in the published annual report of the Eminence Group for the year ended 31 March 2018.
2. The adjustment represents the disposal of the Eminence Sale Company as if the completion of the Eminence Sale Agreement, for pro forma purpose, takes place on 1 April 2017. The financial information of the Eminence Sale Company is extracted from the audited statement of profit or loss and other comprehensive income of the Eminence Sale Company for the year ended 31 March 2018 as set out in the accountants' report on the Eminence Sale Company prepared by Deloitte Touche Tohmatsu which is contained in Appendix VI to this circular.
3. For the purpose of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income, the financial impact for a 12-month accounting period of the Eminence Group is presented. The latest 12-month accounting period is the year ended 31 March 2018. Also, for the purpose of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income, it is assumed that the relevant transaction had taken place at the beginning of the period, i.e. 1 April 2017. The financial position as at 31 March 2017 is therefore referred to for calculating the gain on the Eminence Disposal.

For pro forma purpose, it is assumed that the statement of financial position as at the Completion Date included in the accountants' report of the Eminence Sale Company is the same as that as at 31 March 2017 contained in Appendix VI to this circular.

As set out in the Eminence Sale Agreement, the Eminence Sale Consideration is subject to adjustment by way of deduction of a sum equal to the amount of Bank Loan outstanding as at the Completion Date on a dollar-for-dollar basis. Further details of these are set out in the sub-section headed "Eminence Sale Consideration" under "II. Eminence Sale Agreement" of the section headed "The Swap Agreements" in the "Letter from the Eminence Board" of this circular.

At the Completion Date of the Eminence Sale Agreement, the Eminence Sale Consideration of HK\$1,035,000,000 after deducting Bank Loan outstanding of approximately HK\$269,640,000 is approximately HK\$765,360,000 and is analysed as follows:

	<i>HK\$'000</i>
Consideration received for disposal of:	
– 100% issued share capital of the Eminence Sale Company	538,159
– Shareholder Loan owed by the Eminence Sale Company to Eminence (<i>Note A</i>)	<u>227,201</u>
	<u>765,360</u>
	<i>HK\$'000</i>
Analysis of assets and liabilities over which control was lost:	
Properties held for development for sale (<i>Note A</i>)	597,867
Other receivables	253
Bank balances and cash	80
Trade and other payables	(19,848)
Tax payable	(311)
Secured bank borrowings	<u>(269,640)</u>
Net assets disposed of	<u>308,401</u>

HK\$'000

Gain on the Eminence Disposal:	
Cash consideration received	765,360
Net assets disposed of	(308,401)
Gain on disposal (before directly attributable expenses)	456,959
Directly attributable expenses	(100)
Net gain on disposal (after directly attributable expenses)	456,859

For pro forma purpose, it is assumed that, upon completion of the Eminence Sale Agreement, the outstanding balances between the Eminence Sale Company and Eminence of approximately HK\$224,448,000 and between the Eminence Sale Company and other subsidiaries of Eminence of approximately HK\$2,753,000 with an aggregate credit balance of approximately HK\$227,201,000, are disposed of on a dollar-for-dollar basis, and the remaining amount of approximately HK\$538,159,000 is allocated as consideration for the disposal of 100% issued share capital of the Eminence Sale Company.

Note A:

For pro forma purpose, it is assumed that the carrying amount of the Shareholder Loan owed by the Eminence Sale Company to Eminence at the Completion Date is the same amount of approximately HK\$227,201,000 as at 31 March 2017 as set out in the accountants' report on the Eminence Sale Company prepared by Deloitte Touche Tohmatsu which is contained in Appendix VI to this circular.

At the Completion Date, the carrying amount of Eminence Sale Company's properties held for development for sale is derived as follows:

HK\$'000

Carrying amount as at 1 April 2017	528,464
Reinstatement to the Eminence Group's purchase cost on its acquisition of assets through acquisition of the Eminence Sale Company net of subsequent impairment loss recognised	70,802
Elimination of capitalised imputed interest on the non-interest bearing amount due to Eminence up to 1 April 2017 as per Note B below	(1,399)
	597,867

Note B:

The carrying amount of the Eminence Sale Company's properties held for development for sale includes an amount of approximately HK\$1,399,000 representing capitalised imputed interest on the non-interest bearing amount due to Eminence by the Eminence Sale Company. This intra-group imputed interest is eliminated from the Eminence Group's properties held for development for sale.

- The adjustment represents the acquisition of the Easyknit Sale Company as if the completion of the Easyknit Sale Agreement, for pro forma purpose, takes place on 1 April 2017. The financial information of the Easyknit Sale Company is extracted from the audited statement of profit or loss and other comprehensive income of the Easyknit Sale Company for the year ended 31 March 2018 as set out in the accountants' report on the Easyknit Sale Company prepared by Deloitte Touche Tohmatsu which is contained in Appendix V to this circular.

5. The adjustment represents the incurrence of expenses directly attributable to the Eminence Acquisition of approximately HK\$1,210,000, including Ad Valorem Stamp Duty of approximately HK\$940,000, which are recognised in profit or loss and payment of the Easyknit Sale Consideration.

As set out in the Easyknit Sale Agreement, the Easyknit Sale Consideration is subject to adjustment by way of deduction of a sum equal to the amount of Bank Loan outstanding as at the Completion Date on a dollar-for-dollar basis. The Easyknit Sale Consideration (after deducting the Bank Loan of approximately HK\$168,346,000) is approximately HK\$301,654,000. Of this amount, (i) approximately HK\$191,846,000 represents consideration for acquiring the Shareholder Loan on a dollar-for-dollar basis, the amount of which is derived as set out below and (ii) the remaining approximately HK\$493,500,000 represents consideration for acquiring the Sales Shares.

HK\$'000

Cash consideration paid for acquiring:

– the Sale Shares	493,500
– the Shareholder Loan (being a net debit amount)	(191,846)
	<u>301,654</u>

For pro forma purpose, it is assumed that, upon completion of the Easyknit Sale Agreement, the outstanding balance due from Easyknit of approximately HK\$315,995,000, the outstanding balance due from other subsidiaries of Easyknit of approximately HK\$8,307,000 and the outstanding balance due to other subsidiaries of Easyknit of approximately HK\$132,456,000, amounting to an aggregate debit balance of approximately HK\$191,846,000, are disposed of to Eminence. There is no certainty that the net amount due from the Easyknit Group at the Completion Date of the Easyknit Sale Agreement is the same debit amount of approximately HK\$191,846,000. Any change in this amount will affect the cash consideration for the acquisition of each of the Shareholder Loan and the Sale Shares.

6. The adjustment represent the recognition of fair value gain of Easy Tower (being investment properties) in profit or loss amounting to HK\$13,000,000, which is derived from fair value at the Completion Date of the Easyknit Sale Agreement of HK\$460,000,000 and the fair value at the end of the year of HK\$447,000,000. The fair value change of Easy Tower during the year has been recognised in profit or loss per (4) above. For pro forma purpose, it is assumed that the fair value of Easy Tower at the Completion Date is the same amount of fair value as at 14 November 2018, being HK\$460,000,000, as assessed by Colliers International (Hong Kong) Limited, an independent valuer, adopting the income approach. There is no certainty that the fair value of Easy Tower at the Completion Date is the same amount of HK\$460,000,000 being fair value as at 14 November 2018. Any change in this amount will affect the fair value gain/loss of Easy Tower being recognised in profit or loss.
7. It represents the monthly management fees payable to the Manager under the Property Management Agreement by the Easyknit Sale Company when the Easyknit Sale Company becomes a subsidiary of Eminence after the Completion Date which will be payable monthly at the rate of 10% of the monthly expenditure incurred by the Manager in the management of Easy Tower for the period from 1 April 2017 to 31 March 2018. The monthly management fees is subject to a maximum annual cap of HK\$420,000. It is assumed that the management fees for the period from 1 April 2017 to 31 March 2018 is approximately HK\$420,000. Actual annual management fee after the Completion Date may or may not be less than the maximum cap amount of HK\$420,000.
8. The adjustment represents payment of the estimated transaction costs attributable to this circular of approximately HK\$1,710,000.
9. No adjustments have been made to reflect any trading results or other transactions of the Eminence Group entered into subsequent to 31 March 2018.

APPENDIX VIII

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE POST-SWAP EMINENCE GROUP

Unaudited Pro Forma Consolidated Statement of Cash Flows

	The Eminence Group Year ended 31 March 2018			Pro forma adjustments					Pro forma total for the Post-Swap Eminence Group
	HK\$'000 (audited) Note 1	HK\$'000 (audited) Note 2	HK\$'000 Note 3	HK\$'000 (audited) Note 4	HK\$'000 Note 5	HK\$'000 Note 6	HK\$'000 Note 7	HK\$'000 Note 8	HK\$'000 (unaudited)
Operating activities									
Profit before taxation	54,608	1,298	456,859	43,253	(1,210)	13,000	(420)	(1,710)	565,678
Adjustments for:									
Interest income	(2,367)	–	–	–	–	–	–	–	(2,367)
Interest expense	31,373	–	–	3,479	–	–	–	–	34,852
Depreciation	1,067	(144)	–	53	–	–	–	–	976
Net loss on modification of terms of convertible note	1,023	–	–	–	–	–	–	–	1,023
Gain on disposal of property, plant and equipment	(7)	–	–	–	–	–	–	–	(7)
Gain on disposal of a subsidiary	–	–	(456,859)	–	–	–	–	–	(456,859)
Gain on changes in fair value of investment properties	(72,337)	–	–	(36,675)	–	(13,000)	–	–	(122,012)
Impairment loss on available-for-sale investments	3,406	–	–	–	–	–	–	–	3,406
Gain on disposal of available-for-sale investments	(45)	–	–	–	–	–	–	–	(45)
Loss on fair value change of investments held for trading	2,195	–	–	–	–	–	–	–	2,195
Gain on fair value change of convertible note	(217)	–	–	–	–	–	–	–	(217)
Dividend income from listed investments	(4,537)	–	–	–	–	–	–	–	(4,537)
Operating cash flows before movements in working capital	14,162	1,154	–	10,110	(1,210)	–	(420)	(1,710)	22,086
Increase in properties held for development for sale	(575,313)	168,592	–	–	–	–	–	–	(406,721)
Increase in trade and other receivables	(10,276)	2	253	(325)	–	–	–	–	(10,346)
Increase in loans receivable	(902)	–	–	–	–	–	–	–	(902)
Increase in investments held for trading	(1,126)	–	–	–	–	–	–	–	(1,126)
Increase in trade and other payables	16,394	(3,898)	(19,848)	(1,357)	–	–	–	–	(8,709)
Cash used in operations	(557,061)	165,850	(19,595)	8,428	(1,210)	–	(420)	(1,710)	(405,718)
Income tax paid	(441)	311	–	(695)	–	–	–	–	(825)
Dividend received from investments held for trading	41	–	–	–	–	–	–	–	41
Net cash used in operating activities	(557,461)	166,161	(19,595)	7,733	(1,210)	–	(420)	(1,710)	(406,502)

APPENDIX VIII

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE POST-SWAP EMINENCE GROUP

	The Eminence Group Year ended 31 March 2018			Pro forma adjustments					Pro forma total for the Post-Swap Eminence Group
	HK\$'000 (audited) Note 1	HK\$'000 (audited) Note 2	HK\$'000 Note 3	HK\$'000 (audited) Note 4	HK\$'000 Note 5	HK\$'000 Note 6	HK\$'000 Note 7	HK\$'000 Note 8	HK\$'000 (unaudited)
Investing activities									
Additions of investment properties	(201,710)	–	–	(3,425)	–	–	–	–	(205,135)
Purchase of other financial assets	(64,519)	–	–	–	–	–	–	–	(64,519)
Payment of deposits for acquisition of investment properties	(29,500)	–	–	–	–	–	–	–	(29,500)
Purchase of available-for-sale investments	(2,226)	–	–	–	–	–	–	–	(2,226)
Purchase of property, plant and equipment	(1,433)	958	–	–	–	–	–	–	(475)
Withdrawal of bank deposits with original maturity of more than three months	103,606	–	–	–	–	–	–	–	103,606
Proceeds from disposal of other financial assets	86,608	–	–	–	–	–	–	–	86,608
Interest received	2,951	–	–	–	–	–	–	–	2,951
Proceeds from disposal of available-for-sale investments	1,678	–	–	–	–	–	–	–	1,678
Dividend received from available-for sale investments	1,401	–	–	–	–	–	–	–	1,401
Proceeds from disposal of property, plant and equipment	65	–	–	–	–	–	–	–	65
Deposits paid for acquisition of investment properties	–	–	–	(1,970)	–	–	–	–	(1,970)
Advance to a former subsidiary	–	(177,592)	–	–	–	–	–	–	(177,592)
Repayment from a former subsidiary	–	31,700	–	–	–	–	–	–	31,700
Repayment from Easyknit	–	–	–	140,570	–	–	–	–	140,570
Repayment from the Easyknit Group	–	–	–	14,209	–	–	–	–	14,209
Advance from the Easyknit Group	–	2,753	–	–	–	–	–	–	2,753
Advance to the Easyknit Group	–	–	–	(12,396)	–	–	–	–	(12,396)
Net cash outflow on disposal of a subsidiary	–	–	(100)	–	–	–	–	–	(100)
Net settlement of Post-Swap Eminence Group	–	–	765,360	–	(301,654)	–	–	–	463,706
Net cash (used in) from investing activities	(103,079)	(142,181)	765,260	136,988	(301,654)	–	–	–	355,334
Financing activities									
Bank borrowings raised	318,071	(32,077)	–	–	–	–	–	–	285,994
Proceeds from issue of new shares	50,585	–	–	–	–	–	–	–	50,585
Proceeds from issue of convertible notes	44,200	–	–	–	–	–	–	–	44,200
Interest paid	(31,688)	8,138	–	(3,479)	–	–	–	–	(27,029)
Repayment of bank borrowings	(5,359)	–	–	(8,760)	–	–	–	–	(14,119)
Transaction costs attributable to issue of new shares	(505)	–	–	–	–	–	–	–	(505)
Advance from the Easyknit Group	–	–	–	160	–	–	–	–	160
Repayment to the Easyknit Group	–	–	–	(132,615)	–	–	–	–	(132,615)
Net cash from financing activities	375,304	(23,939)	–	(144,694)	–	–	–	–	206,671
Net (decrease) increase in cash and cash equivalents	(285,236)	41	745,665	27	(302,864)	–	(420)	(1,710)	155,503
Cash and cash equivalents at beginning of the year	409,884	(80)	80	64	(64)	–	–	–	409,884
Effect of foreign exchange rate changes	774	–	–	–	–	–	–	–	774
Cash and cash equivalents at end of the year, represented by bank balances and cash	125,422	(39)	745,745	91	(302,928)	–	(420)	(1,710)	566,161

Notes:

1. The figures are extracted from the audited consolidated statement of cash flows of the Eminence Group for the year ended 31 March 2018 as set out in the published annual report of the Eminence Group for the year ended 31 March 2018.
2. The adjustment represents the elimination of cash flows of the Eminence Sale Company as if the completion of the Eminence Sale Agreement, for pro forma purpose, takes place on 1 April 2017. The financial information of the Eminence Sale Company is extracted from the audited statement of cash flows of the Eminence Sale Company for the year ended 31 March 2018 as set out in the accountants' report on the Eminence Sale Company prepared by Deloitte Touche Tohmatsu which is contained in Appendix VI to this circular.
3. The adjustment represents settlement in cash at the Completion Date of the Eminence Sale Agreement (i) the total cash consideration of the Eminence Disposal amounting to approximately HK\$765,360,000; and (ii) expenses directly attributable to the Eminence Disposal of approximately HK\$100,000 recognised in profit or loss. Details of how the aforesaid amounts are derived are set out in Note 3 to the "Unaudited pro forma consolidated statement of profit or loss and other comprehensive income" of this appendix. The effect of net cash settlement together with the acquisition of the Easyknit Sale Company is considered together with (5) below.
4. The adjustment represents the acquisition of the Easyknit Sale Company as if the completion of the Easyknit Sale Agreement, for pro forma purpose, takes place on 30 September 2018. The financial information of the Easyknit Sale Company is extracted from the audited statement of cash flows of the Easyknit Sale Company for the year ended 31 March 2018 as set out in the accountants' report on the Easyknit Sale Company prepared by Deloitte Touche Tohmatsu which is contained in Appendix V to this circular.
5. The adjustment represents settlement in cash at the Completion Date of (i) the total cash consideration of the Eminence Acquisition amounting to approximately HK\$301,654,000; and (ii) expenses directly attributable to the Eminence Acquisition of approximately HK\$1,210,000 recognised in profit or loss. Details of how the aforesaid amounts are derived are set out in Note 5 to the "Unaudited pro forma consolidated statement of profit or loss and other comprehensive income" of this appendix. The effect of net cash settlement together with the disposal of the Eminence Sale Company is considered together with (3) above.
6. The adjustment represent the recognition of fair value gain of the Easy Tower (being investment properties) in profit or loss amounting to HK\$13,000,000. Details of how this amount is derived are set out in Note 6 to the "Unaudited pro forma consolidated statement of profit or loss and other comprehensive income" of this appendix.
7. It represents the monthly management fees payable to the Manager under the Property Management Agreement by the Easyknit Sale Company when the Easyknit Sale Company becomes a subsidiary of Eminence after the Completion Date. It is assumed that the management fees for the period from 1 April 2017 to 31 March 2018 is approximately HK\$420,000. Details of how this amount is derived are set out in Note 7 to the "Unaudited pro forma consolidated statement of profit or loss and other comprehensive income" of this appendix. Actual annual management fee after the Completion Date may or may not be less than the maximum cap amount of HK\$420,000.
8. The adjustment represents payment of the estimated transaction costs attributable to this circular of approximately HK\$1,710,000.
9. No adjustments have been made to reflect any trading results or other transactions of the Eminence Group entered into subsequent to 31 March 2018.

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

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of Eminence, in respect of the unaudited pro forma financial information of the Post-Swap Eminence Group prepared for the purpose of incorporation in this circular.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF EMINENCE ENTERPRISE LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Eminence Enterprise Limited ("Eminence") and its subsidiaries (hereinafter collectively referred to as the "Eminence Group") by the directors of Eminence (the "Eminence Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma condensed consolidated statement of financial position as at 30 September 2018, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018, the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2018 and related notes as set out in Section A of Appendix VIII to the circular issued jointly by Eminence and Easyknit International Holdings Limited ("Easyknit") dated 12 February 2019 (the "Circular"). The applicable criteria on the basis of which the Eminence Directors have compiled the unaudited pro forma financial information are described in Section A of Appendix VIII to the Circular.

The unaudited pro forma financial information has been compiled by the Eminence Directors to illustrate the impact of, among others, the proposed acquisition from a wholly-owned subsidiary of Easyknit all the issued share capital of Wellmake Investments Limited ("Easyknit Sale Company") and the entire amount of shareholder's loan owed by the Easyknit Sale Company and the proposed disposal to a wholly-owned subsidiary of Easyknit by a wholly-owned subsidiary of Eminence all the issued share capital of Total Expect Limited and the entire amount of shareholder's loan owed by Total Expect Limited (together the "Swap") and the entering into of a property management agreement between a wholly-owned subsidiary of Easyknit and the Easyknit Sale Company (the "Property Management Agreement") when the Easyknit Sale Company becomes a subsidiary of Eminence on the Eminence Group's financial position as at 30 September 2018 and the Eminence Group's financial performance and cash flows for the year ended 31 March 2018 as if the Swap and the entering into of the Property Management Agreement when the Easyknit Sale Company becomes a subsidiary of Eminence had taken place at 30 September

2018 and 1 April 2017, respectively. As part of this process, information about the Eminence Group's financial position has been extracted by the Eminence Directors from the Eminence Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2018, on which no review report has been published; and information about the financial performance and cash flows has been extracted by the Eminence Directors from the Eminence Group's audited consolidated financial statements for the year ended 31 March 2018, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable

assurance about whether the Eminence Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Eminence Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2018 or 1 April 2017 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 February 2019

Set out below is the management discussion and analysis of the Easyknit Group for the six months ended 30 September 2018 and the three years ended 31 March 2016, 2017 and 2018.

(A) FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

BUSINESS REVIEW

Below sets out the performance of each principal business segment of the Easyknit Group, namely property investment, property development, securities investment and loan financing businesses:

(i) *Property Investment*

The Easyknit Group's investment properties comprise of residential, commercial and industrial real estate in Hong Kong.

As at 30 September 2018, more than 90% of the Easyknit Group's commercial and residential units of the investment properties had been successfully leased out while the Easyknit Group's industrial units continued to maintain a high occupancy rate of 88.62%. As a result, the revenue arising from property rental for the six months ended 30 September 2018 (the "**Period**") was HK\$27,325,000. The overall revenue for the property investment segment was HK\$48,157,000 for the Period. Income from property management for the Period amounted to HK\$477,000.

(ii) *Property Development*

During the Period, the revenue recorded from the property development segment was approximately HK\$48,195,000.

(a) *La Salle Road Property*

The Easyknit Group held 75% of a residential development at No. 6 La Salle Road, Ho Man Tin, Kowloon, Hong Kong (the "**La Salle Road Property**"). On 16 October 2018, the Easyknit Group successfully completed the sale of its entire interest in La Salle Road Property and such brought to the Easyknit Group the gross proceeds of approximately HK\$690,000,000.

(b) *"Waterloo"*

The Easyknit Group is the registered owner of the building at Nos. 93, 93A, 95 and 95A Waterloo Road, Kowloon, Hong Kong (the "**Waterloo**") which has a site area of approximately 911.7 square metres.

On 24 May 2018, the Easyknit Group appointed a developer (80% owned by the Group and 20% owned by the independent party) to carry out the development of the site. Under the development agreement, the developer agreed to pay an upfront payment of HK\$492,500,000 and agreed to bear all the development costs for the project.

The Waterloo site will be developed into a luxurious residential accommodation with car parks and the estimated gross floor area is approximately 4,556.9 square metres. The development works is in progress and is expected to be completed in late 2021.

(iii) Securities Investment

During the Period, the Easyknit Group recorded fair value loss in securities investments of HK\$31,451,000. As a result, the Easyknit Group reported segment loss of HK\$25,506,000 during the Period. The Easyknit Group received dividend income from the listed securities investments of HK\$5,105,000 during the Period.

As at 30 September 2018, the Easyknit Group held securities investments amounting to HK\$103,854,000. This was derived from (i) the purchase of securities investments of HK\$58,001,000 during the Period; (ii) the disposal of securities investments which had a cost or fair value as at 31 March 2018 of HK\$149,534,000; and (iii) net decrease in market value in the amount of HK\$14,372,000 of securities investments. This value represented an investment portfolio comprising 6 equity securities which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

(iv) Loan Financing

During the Period, the Easyknit Group recorded revenue from the loan financing business of HK\$9,381,000.

Capital Structure

On 4 May 2018, Easyknit and a placing agent entered into a placing agreement under the general mandate pursuant to which the placing agent placed 11,900,000 placing shares at a price of HK\$4.60 per placing share. The closing price of Easyknit shares on 4 May 2018 was HK\$4.99. The placing was completed on 17 May 2018 and the net proceeds were approximately HK\$54.19 million (the net issue price of approximately HK\$4.554 per placing share). As at 28 November 2018, HK\$41.1 million of the net proceeds from the placement have been utilised for acquisition of properties and the remaining balance of approximately HK\$13.09 million will be used as the Easyknit Group’s working capital. Details of the placement were set out in Easyknit’s announcements dated 4 May 2018 and 17 May 2018.

As at 30 September 2018, the total number of issued ordinary shares of Easyknit was 91,320,403 shares.

Significant Investment Held by the Easyknit Group

As at 30 September 2018, the total rental income and interest income from loan financing business of the Easyknit Group was HK\$27,325,000 and HK\$9,381,000 respectively. The Easyknit Group held securities for trading investments amounting to HK\$103,854,000 as at 30 September 2018.

Material acquisitions and disposals***(i) Disposal of the La Salle Road Property***

In 2018, the Easyknit Group disposed all of its interests in the La Salle Road Property. Further information can be found in the circular dated 24 May 2018 issued by Easyknit. Such transaction was successfully completed on 16 October 2018 and such disposal brought to the Easyknit Group the gross proceeds of approximately HK\$690,000,000.

(ii) Acquisitions of “Chatham Road North”

In mid-2018, the Company acquired the entire issued share capital of an investment holding company known as Success Active Limited (which held interests in excess of 80% in Nos. 470, 472, 474, 476 and 478 Chatham Road North, Kowloon, Hong Kong (“**Chatham Road North**”)). The total site area of Chatham Road North is approximately 435.2 square metres. With the completion of the acquisition, as at 30 September 2018, the Easyknit Group is the registered owner of more than 80% of Chatham Road North. Details of the acquisition are set out in Easyknit’s announcements dated 16 May 2018 and 8 June 2018 and Easyknit’s circular dated 25 June 2018 respectively.

If the Easyknit Group successfully acquired all the remaining units, the Chatham Road North site will be 100% owned by the Easyknit Group and will be developed into a composite area with residential and commercial use. The estimated gross floor area after redevelopment is expected to be approximately 3,916.8 square metres.

Save as aforesaid, the Easyknit Group did not make any significant investments, material acquisitions or disposal during the Period.

Liquidity and Financial Resources

The Easyknit Group financed its operations through internally generated cash flow and bank borrowings. As at 30 September 2018, the bank balances (including cash and deposits) were HK\$184,503,000. As at 30 September 2018, the Easyknit Group has total bank borrowings of approximately HK\$1,221,336,000. The gearing ratio of the Easyknit Group, calculated as a ratio of total borrowings to total equity, for the Period was approximately 0.38.

The net asset value of the Easyknit Group as at 30 September 2018 was HK\$1,287,234,000. The non-current asset was HK\$2,638,102,000. As at 30 September 2018, the Easyknit Group’s current ratio was 2.54.

Charge on the Easyknit Group Assets

As at 30 September 2018, bank borrowings amounting to HK\$1,221,336,000 were secured by the assets of the Easyknit Group having a net book value of HK\$2,678,957,000.

Exposure of Foreign Exchange Fluctuations

Most of the Easyknit Group's revenues and payments are in Hong Kong dollars. During the Period, the Easyknit Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed. The Easyknit Group considered the risk of exposure to the currency fluctuation to be minimal.

Contingent Liabilities

The Easyknit Group did not have any significant contingent liabilities as at 30 September 2018.

Capital Expenditures and Capital Commitments

During the Period, the Easyknit Group invested HK\$190,000 on the acquisitions of property, plant and equipment; and expended HK\$1,170,000 on additions of investment properties.

As at 30 September 2018, the Easyknit Group had capital commitments in respect of capital expenditure contracted for but not provided of HK\$1,100,000.

Changes in Fair Value of Investment Properties

As at 30 September 2018, there was a gain of HK\$28,830,000 arising from changes in fair value of investment properties.

Finance Costs

Finance costs was HK\$11,495,000 as at 30 September 2018.

Employees

As at 30 September 2018, the Easyknit Group had 33 employees. Staff costs (including directors' emoluments) amounted to HK\$13,809,000. The Easyknit Group adopts competitive remuneration packages which are based on its employees' performance, experience and prevailing industry practice. The Easyknit Group has also set up the Mandatory Provident Fund Scheme for its Hong Kong's employees.

Share Option Schemes

On 5 July 2012, a new share option scheme (the “**Scheme**”) was adopted and approved by Easyknit Shareholders for a period of 10 years commencing on the adoption date. Since the adoption date, the Easyknit Directors, may at its discretion, grant share options to any eligible person to subscribe for the shares in Easyknit subject to the terms and conditions as stipulated in the Scheme. During the Period, no share option was outstanding, granted, exercised, cancelled or lapsed under the Scheme.

Future Plans

The Easyknit Group will continue to adopt a prudent approach on acquiring and disposing properties. In addition, the Easyknit Group will continue to look for potential investment properties for recurring income and capital appreciation, at the same time expanding its loan financing business for the growth of its stable recurring income.

The Easyknit Group did not have any further plans for material investments nor addition of capital assets during the period ended 30 September 2018.

EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 29 November 2018, Easyknit has filed an application to the Lands Tribunal for an order to auction all the undivided shares of Nos. 472-478 Chatham Road North (including those owned by the Easyknit Group) for the purposes of redevelopment. Further details can be founded in Easyknit’s voluntary announcement dated 30 November 2018.

The transaction is in line with Easyknit’s business strategy of concentrating on the residential property business.

(B) FOR THE YEAR ENDED 31 MARCH 2018**BUSINESS REVIEW**

For the year ended 31 March 2018, the Easyknit Group’s revenue amounted to HK\$331,521,000. There was a profit for the year attributable to Easyknit’s owners of HK\$297,163,000.

The profit during the year was mainly due to the gain on changes in fair value of investment properties amounting to HK\$159,475,000 and the results attributable to interests in associates amounting to HK\$40,993,000. The basic and diluted earnings per share amounted to HK\$3.74 for the year ended 31 March 2018. The review of each business segment of the Easyknit Group is set out below.

(i) Property Investment

The Easyknit Group's investment properties comprise residential, commercial and industrial units in Hong Kong. During the year, the total rental income of the Easyknit Group recorded HK\$52,958,000. As at 31 March 2018, the Easyknit Group's commercial and residential units of the investment properties were all leased out. The Easyknit Group's industrial units of the investment properties continued to maintain a high occupancy rate of 89.7%. The income from the property management fee was HK\$897,000.

(ii) Property Development

During the year, the Easyknit Group continues to promote the sale of the remaining residential units of its existing development projects in Hong Kong. The development of the residential project at No. 6 La Salle Road, Ho Man Tin, Kowloon, Hong Kong is in progress for development and on 16 March 2018, the Easyknit Group entered into a sale and purchase agreement to dispose of the ownership of this residential project, details of which please refer to "Disposal of Property" as below. For the year ended 31 March 2018, the revenue recorded from the property development was HK\$248,106,000.

(iii) Investment in Securities

The Easyknit Group maintains a portfolio comprising bluechip stocks and top-tier investments products which generate high yield in Hong Kong. The Easyknit Group takes into account of the following criteria when determining whether to take up an investment opportunity: (i) potential for return on investment in terms of capital appreciation and dividend payment for the targeted holding period; (ii) risks exposure in comparison with the Easyknit Group's risk tolerance level at the prevailing time; and (iii) diversification of the existing investment portfolio.

As at 31 March 2018, the Easyknit Group recorded (i) gain on fair value change of held-for-trading investments of HK\$21,859,000; (ii) loss on fair value changes of financial assets designated as at fair value through profit or loss of HK\$3,403,000; (iii) loss on changes in fair value of derivatives component of convertible notes of HK\$2,992,000; and (iv) loss on disposal of available-for-sale investments of HK\$1,033,000. The impairment loss on available-for-sale investments was HK\$4,213,000.

As a result, the Easyknit Group reported a segment profit of HK\$38,026,000 during the year under review. The Easyknit Group received dividend income from the listed securities under held for trading investment and available-for-sale investments of HK\$5,631,000 and HK\$1,896,000 respectively during the year under review. As at 31 March 2018, the Easyknit Group's held-for-trading investments amounted to HK\$100,094,000. It was derived from (i) the purchase of trading securities of HK\$94,185,000 during the year under review; (ii) the disposal of held-for-trading securities which had a cost or fair value as at 31 March 2018 of HK\$278,031,000; and

(iii) net decrease in market value in the amount of HK\$3,553,000 of the held-for-trading investment. This value represented an investment portfolio comprising 5 equity securities which are listed on the Main Board of the Stock Exchange.

Held-for-trading investments

The Easyknit Group's significant investments under held-for-trading as at 31 March 2018 were as below:

Company name/ (stock code)	No. of shares held	Approximate percentage held to the total issued share capital of the company/ investment %	Investment cost/cost of acquisition HK\$'000	Dividend income for the year ended 31 March 2018 HK\$'000	Fair value gain/(loss) for the year ended 31 March 2018 HK\$'000	Fair value at 31 March 2018 HK\$'000	Approximate percentage of total assets of the Easyknit Group at 31 March 2018 %
HSBC Holdings plc (5)	631,700	0.003	48,249	93	(1,503)	46,746	1.06
Hong Kong Exchanges and Clearing Limited ("HKEx") (388) (Note a)	130,967	0.011	24,658	5,538	7,740	33,396	0.75
Industrial and Commercial Bank of China Limited (1398)	2,000,000	0.002	14,034	–	(574)	13,460	0.30
Other listed shares (Note b)	–	–	37,101	–	(9,216)	6,492	0.15
Grand total:			<u>124,042</u>	<u>5,631</u>	<u>(3,553)</u>	<u>100,094</u>	<u>2.26</u>

Available-for-sale investments

The Easyknit Group also held significant investments under available-for-sale investments as at 31 March 2018 as below:

Company name/ (stock code)	No. of shares held	Approximate percentage held to the total issued share capital of the company/ investment %	Investment cost/cost of acquisition HK\$'000	Dividend income for the year ended 31 March 2018 HK\$'000	Fair value gain/(loss) for the year ended 31 March 2018 HK\$'000	Fair value at 31 March 2018 HK\$'000	Approximate percentage of total assets of the Easyknit Group at 31 March 2018 %
HKEEx (388) (Note a)	260,574	0.021	49,509	656	16,937	66,446	1.50
Other listed shares (Note c)	–	–	40,992	1,240	3,430	43,219	0.97
Grand total:			<u>90,501</u>	<u>1,896</u>	<u>20,367</u>	<u>109,665</u>	<u>2.47</u>

Notes:

- a. Easyknit's shareholders passed a resolution at the special general meeting on 28 February 2018 to grant a mandate to the Easyknit Directors for the disposal of all or partial of the shares in HKEEx for a 12-month period commencing 28 February 2018 ("**HKEEx Disposal Mandate**"). During the period from 28 February 2018 and up to the date of this report, Easyknit did not dispose of any shares in HKEEx pursuant to the HKEEx Disposal Mandate and therefore, the Easyknit Group beneficially owns a total of 391,541 shares (including 130,967 shares classified as held-for-trading and 260,574 shares classified as available-for-sale) in HKEEx as at 25 May 2018. Details of which are set out in Easyknit's circular dated 29 January 2018.
- b. Other listed shares under held-for-trading investments included 2 companies whose shares are listed on the Main Board of the Stock Exchange and each of these listed shares represented not more than 0.2% of the total assets of the Easyknit Group as at 31 March 2018.
- c. Other listed shares under available-for-sale investments included 4 companies whose shares are listed on the Main Board of the Stock Exchange and each of these listed shares represented not more than 0.6% of the total assets of the Easyknit Group as at 31 March 2018.

(iv) Loan Financing

For the year ended 31 March 2018, the Easyknit Group recorded an interest income from the loan financing business amounting to HK\$29,560,000, representing approximately 8.9% of the total revenue of the Easyknit Group. The profit derived from loan financing business was HK\$27,987,000 for the year ended 31 March 2018. The principal amount of loans receivable as at 31 March 2018 was HK\$259,261,000. During the year under review, the Easyknit Group did not record any doubtful or bad debt in its loan financing business. The Easyknit Group would add margin financing services to its existing loan products to further expand the securities-backed financing business. The Easyknit Group already holds an appropriate licence.

FINANCIAL REVIEW**Revenue**

For the year ended 31 March 2018, the Easyknit Group's revenue was HK\$331,521,000.

Gross Profit/Margin

Gross profit of the Easyknit Group for the year ended 31 March 2018 was HK\$174,169,000. Gross profit margin for the year reached approximately 52.5% as a result of the increase of interest income from the loan financing business, which contributed a higher gross profit margin.

Profit/Loss before Taxation

Profit before taxation of the Easyknit Group for the year ended 31 March 2018 was HK\$319,809,000. It was mainly due to the gain on changes in fair value of investment properties of HK\$159,475,000 and results attributable to interests in associates of HK\$40,993,000.

Distribution and selling expenses of the Easyknit Group were HK\$30,118,000. It was mainly attributable to the decrease of sale of Paxton.

Administrative expenses of the Easyknit Group were HK\$55,396,000.

During the year under review, there was a gain on changes in fair value of investment properties amounting to HK\$159,475,000.

Finance costs of the Easyknit Group was HK\$16,935,000.

Profit/Loss Attributable to Owners of Easyknit and Earnings/(Loss) per Share

Profit for the year of Easyknit for the year ended 31 March 2018 was HK\$297,163,000. Net profit margin of this year is 89.6%. Taxation charge was HK\$22,646,000. Basic and diluted earnings per share for the year 31 March 2018 was HK\$3.74.

Liquidity and Financial Resources

The Easyknit Group financed its operation through internally generated cash flow and bank borrowings. As at 31 March 2018, the Easyknit Group's bank borrowings amounted to HK\$1,151,742,000. The gearing ratio of the Easyknit Group, calculated as a ratio of total borrowings to total equity, for the year was 0.36.

As at 31 March 2018, the Easyknit Group has net current assets of HK\$1,029,394,000. Current ratio was 2.5. The bank balances and cash as at 31 March 2018 was HK\$150,370,000.

Capital Structure

During the year, there was no change to the share capital of Easyknit. As at 31 March 2018, the total number of issued ordinary shares of Easyknit was 79,420,403 shares.

Charges of Assets

As at 31 March 2018, bank loans amounting to HK\$1,151,742,000 were secured by leasehold properties, investment properties, properties held for development for sale, properties held for sale, deposit and prepayments for a life insurance policy and financial assets designated as at fair value through profit or loss of the Easyknit Group having a net book value of HK\$2,674,668,000.

Exposure on Foreign Exchange Fluctuations

Most of the Easyknit Group's revenues and payments are in Hong Kong dollars. During the year, the Easyknit Group did not have significant exposure to fluctuations in exchange rates and thus, no financial instrument for hedging purposes was employed. The Easyknit Directors considered the risk of exposure to the currency fluctuation to be minimal.

Material Acquisitions and Disposals***Acquisitions of Waterloo Building***

On 13 April 2017, Good Year Ventures Limited, a wholly-owned subsidiary of Easyknit, as purchaser, entered into a sale and purchase agreement with an independent third party to acquire an investment holding company known as Global Chance Holdings Limited ("**Global Chance**") and the 11 units of the building situated at Nos. 93, 93A, 95 and 95A Waterloo Road, Kowloon, Hong Kong (the "**Waterloo Building**") for a total consideration of HK\$332,869,023.25. The completion of the acquisition of the 11 units took place on 28 June 2017.

On 5 July 2017, Global Chance, a wholly-owned subsidiary of Easyknit, as purchaser, entered into a sale and purchase agreement with an independent third party to acquire the remaining unit of the Waterloo Building for a total consideration of HK\$41,800,000. The transaction was approved by the shareholders of Easyknit on 4 September 2017 and the completion of the acquisition of the remaining unit took place on 6 October 2017. The Easyknit Group aimed to acquire the entire building and redevelop the Waterloo Building site.

Details of the above acquisitions are set out in Easyknit's announcements dated 13 April 2017 and 5 July 2017 and Easyknit's circular dated 11 August 2017.

Disposal of Property

On 16 March 2018, a wholly-owned subsidiary of Easyknit (“**Vendor 1**”), as vendor, Easyknit entered into a sale and purchase agreement with an independent third party (the “**Purchaser**”), as purchaser, and vendor 2 (“**Vendor 2**”, collectively with Vendor 1, the “**Vendors**”), pursuant to which the Vendors conditionally agreed to sell the entire issued share capital of each of the disposal companies and Vendor 2 and Easyknit conditionally agreed to sell the shareholders’ loan due and owing by the disposal companies to Easyknit and Vendor 2 at the completion at the initial consideration for the disposals HK\$920 million (subject to adjustments under the sale and purchase agreement). The disposal companies holds as to 75% and 25% interests respectively in a property located at No. 6 La Salle Road, Ho Man Tin, Kowloon, Hong Kong. As at 25 May 2018, the transaction has not completed. Details of the above disposal are set out in Easyknit’s announcement dated 16 March 2018 and Easyknit’s circular dated 24 May 2018.

Save as disclosed above, the Easyknit Group had no material acquisitions or disposals of subsidiaries or associated companies during the year.

Contingent Liabilities

The Easyknit Group did not have any significant contingent liabilities as at 31 March 2018.

Capital Expenditure

For the year ended 31 March 2018, the Easyknit Group invested HK\$6,037,000 on the acquisition of property, plant and equipment, and spent HK\$3,425,000 on additions of investment properties.

Capital Commitments

As at 31 March 2018, the Easyknit Group had capital commitments in respect of capital expenditure contracted for but not provided of HK\$844,000.

PROPOSED SPIN-OFF

Reference is made to Easyknit’s announcement dated 27 October 2017 under which Easyknit is currently considering the spin-off and separate listing (the “**Proposed Spin-off**”) of the Easyknit Group’s residential property business (the “**RP Business**”) on the Main Board of the Stock Exchange. A spinoff proposal was submitted to the Stock Exchange on 12 May 2017 pursuant to Practice Note 15 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and on 24 October 2017, the Stock Exchange agreed that Easyknit may proceed with the Proposed Spin-off.

Preparation for the Proposed Spin-off is underway for the separate listing of the RP Business on the Main Board of the Stock Exchange.

EVENTS AFTER REPORTING PERIOD**Placing**

On 4 May 2018, Easyknit and a placing agent entered into a placing agreement under general mandate pursuant to which the placing agent agreed to place, on a best effort basis, up to 11,900,000 placing shares at a price of HK\$4.6 per placing share to not less than six independent placees. The closing price of the Shares on 4 May 2018 was HK\$4.99. The placing was completed on 17 May 2018 and the net proceeds were approximately HK\$54.19 million (the net issue price of approximately HK\$4.554 per placing share). The net proceeds from the placing would be used for acquisitions or for general working capital of the Easyknit Group. As at 25 May 2018, HK\$41.1 million of the net proceeds was utilised for acquisition of properties and the remaining balance of approximately HK\$13.09 million remain in the bank. Details of which are set out in Easyknit's announcements dated 4 May 2018 and 17 May 2018.

Acquisition of Properties

On 16 May 2018, a wholly-owned subsidiary of Easyknit (the “**Buyer**”), as buyer, entered into a sale and purchase agreement with an independent third party (the “**Seller**”), as seller, to acquire the entire issued share capital of a company (the “**Target**”) (the sole assets of which are the properties purchase agreements, being contracts to purchase units in the buildings at 470, 472, 474, 476 and 478 Chatham Road North, Kowloon) and a related shareholder loan. The total consideration for the Easyknit Group to acquire the Target is HK\$458,475,515, subject to adjustment. As at 25 May 2018, the transaction was not yet completed. Details of which are set out in Easyknit's announcement dated 16 May 2018.

Joint Venture Development

On the 24th of May 2018, the Easyknit Group entered into a joint venture with an independent third party whereby a Developer (80% owned by the Easyknit Group and 20% owned by the independent party) was appointed to carry out the development of 93, 93A, 95 and 95A Waterloo Road, Kowloon.

EMPLOYEES

As at 31 March 2018, the Easyknit Group had 32 employees. Staff costs (including directors' emoluments) amounted to HK\$24,164,000 for the year under review. The Easyknit Group remunerates its employees based on their performance, experience and prevailing industry practice. The Easyknit Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees. The Easyknit Group has a share option scheme to motivate employees.

PROSPECTS

Hong Kong's property market is expected to grow on the back of a healthy economy, rising confidence in economic growth and continuous inflow of foreign capital. We expect the local property market, discounting the probability of further US rate hikes, would maintain its current level. The management believes that the Easyknit Group's business will continue to develop steadily in the forthcoming year.

During the year, the Easyknit Group successfully obtained the Stock Exchange's agreement for the Proposed Spin-off of the Easyknit Group's Residential Portfolio and work on proposed spin-off is in progress.

With regards to the Easyknit Group's property investment business, the Easyknit Group intends to continue the investment in properties located in Hong Kong and improve the mix of the portfolio for the property investment to enhance returns on investment. This may include carrying out renovation and refurbishment of the Easyknit Group's investment properties to enhance yields.

With regards to the Easyknit Group's securities business, the Easyknit Group intends to continuously diversify its investment portfolio to manage risks and return.

The Easyknit Group intends to expand its loan financing business by broadening the customer base and loan types to cater to different needs and repayment preferences of various segments of potential customers.

(C) FOR THE YEAR ENDED 31 MARCH 2017**BUSINESS REVIEW**

During the year, the Easyknit Group was principally engaged in the property investment, property development, securities investment and loan financing business.

(i) Property Investment

The Easyknit Group has investment properties in Hong Kong only.

Revenue of the Easyknit Group's property rental for the year was HK\$51,664,000. The Easyknit Group's investment properties comprise residential, commercial and industrial properties.

As at 31 March 2017, the Easyknit Group's commercial and residential investment properties were 100% leased out. The industrial investment properties in Hong Kong continued to maintain a high occupancy rate of 88.8%. The property management fee income was HK\$834,000.

(ii) Property Development

A residential project, namely Paxton, at No. 311-313 Prince Edward Road West, Kowloon, Hong Kong which offers about 49 units of 74,285 square feet gross floor area was launched in July 2014. For the year under review, the total revenue derived from the property sales of Paxton was HK\$456,601,000.

Another residential development project known as No. 6 La Salle Road, Kowloon, Hong Kong, which is expected to be launched in late 2017.

(iii) Securities Investment

The Easyknit Group maintains a securities portfolio with a strategy of diversification to reduce effects of price fluctuations of any single securities.

For the year ended 31 March 2017, the Easyknit Group held trading securities in the amount of HK\$287,493,000. It was derived from (1) the disposal of trading securities during the year which had a cost or fair value as at 31 March 2017 of HK\$40,314,000; (2) purchase of trading securities of HK\$274,436,000 during the year; and (3) net decrease in market value in the amount of HK\$11,324,000 of the trading securities.

From continuing operations, the Easyknit Group recognised (1) loss on fair value changes of trading securities for the year of HK\$8,773,000; (2) loss of HK\$2,328,000 on fair value changes of financial assets designated at fair value through profit or loss; and (3) gain of HK\$43,989,000 on disposal of available-for-sale investments. This segment recorded a profit of HK\$50,921,000.

(iv) Loan Financing

For the year ended 31 March 2017, this segment recorded a revenue of HK\$20,376,000.

FINANCIAL REVIEW**Revenue**

The Easyknit Group revenue from continuing operations for the year ended 31 March 2017 was HK\$529,475,000.

Gross Profit/Margin

Gross profit for this year was HK\$233,184,000. Gross profit margin for this year was 44.0%.

Loss before Taxation

Loss before taxation for the year ended 31 March 2017 was HK\$219,885,000. It was mainly due to the results attributable to deemed disposal of interests in associates of HK\$371,364,000.

Distribution and selling expenses were HK\$64,829,000. It was mainly attributable to the decrease of sale of Paxton. Administrative expenses were HK\$52,485,000.

During the year under review, there was a gain on changes in fair value of investment properties amounting to HK\$21,877,000 for Hong Kong.

Finance costs was HK\$17,203,000 due to the reduction of bank borrowings during the year.

Loss/Profit Attributable to Owners of Easyknit and Loss/Earnings per Share

Loss for the year from continuing and discontinued operations of Easyknit for the year ended 31 March 2017 was HK\$243,846,000. Net loss margin of this year was 46.1%. Taxation charge was HK\$23,961,000.

Basic and diluted loss per share from continuing and discontinued operations for the year 31 March 2017 was HK\$3.07.

Liquidity and Financial Resources

The Easyknit Group financed its operation through internally generated cash flow and bank borrowings.

As at 31 March 2017, the Easyknit Group's bank borrowings amounted to HK\$899,482,000. The gearing ratio of the Easyknit Group, calculated as a ratio of total borrowings to total equity, for the year was 0.32. As at 31 March 2017, the Easyknit Group has net current assets of HK\$1,058,122,000. Current ratio was 3.8. The bank balances and cash as at 31 March 2017 was HK\$25,473,000.

Capital Structure

During the year, there was no change to the share capital of Easyknit. As at 31 March 2017, the total number of issued ordinary shares of Easyknit was 79,420,403 shares.

Charge on Easyknit Group Assets

As at 31 March 2017, bank loans amounting to HK\$899,482,000 were secured by investment properties, properties held for development for sale, properties held for sale, deposit and prepayments for a life insurance policy and financial assets designated as at fair value through profit or loss of the Easyknit Group having a net book value of HK\$2,160,596,000.

Exposure on Foreign Exchange Fluctuations

Most of the Easyknit Group's revenues and payments are in Hong Kong dollars. During the year, the Easyknit Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed. The Easyknit Directors considered the risk of exposure to the currency fluctuation to be minimal.

Material Acquisitions and Disposals

The Easyknit Group had no material acquisitions or disposals of subsidiaries or associated companies during the year.

Contingent Liabilities

The Easyknit Group did not have any significant contingent liabilities as at 31 March 2017.

Capital Expenditure

During the year under review, the Easyknit Group spent approximately HK\$7,636,000 on the acquisition of property, plant and equipment, and spent approximately HK\$30,000 on addition of investment properties.

Capital Commitments

As at 31 March 2017, the Easyknit Group had capital commitments in respect of capital expenditure contracted for but not provided of HK\$621,000.

EMPLOYEES

As at 31 March 2017, the Easyknit Group had a total of 35 employees. Staff costs (including directors' emoluments) amounted to HK\$32,628,000 for the year under review. The Easyknit Group remunerates its employees based on their performance, experience and prevailing industry practice. The Easyknit Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees. The Easyknit Group has a share option scheme to motivate employees.

PROSPECTS

The Easyknit Group will continue focus its efforts on the development of its existing principal businesses: (1) property investment; (2) property development; (3) securities investment; and (4) loan financing services and other potential projects with a view to providing steady returns as well as fruitful growth for the Easyknit Shareholders.

In Hong Kong, despite additional measures imposed by the government to cool the housing market, the impact on the property market was only short-lived. With the prevailing low interest rates and the record high transacted land prices in the recent land auctions,

sentiment in the primary property market has been holding up well, with home buyers' confidence remaining generally strong. In view of favourable market sentiment, the Easyknit Group will continue to promote the sale of the remaining units of Paxton and it expects the launch of the presale of its residential property development at the site of No. 6 La Salle Road, Kowloon, Hong Kong in late 2017.

In addition, the Easyknit Group will further extend its principal business and direct its resources to loan financing services and it is expected that such business will continue to be part of the main income stream of the Easyknit Group.

Meanwhile, the Easyknit Group will also maintain a stringent financial policy and a prudent cash flow management to ensure reasonable liquidity for the Easyknit Group's operations as well as for its existing and future investments.

We believe that in such a volatile economic environment, these operation strategies will enable the Easyknit Group to maintain its competitiveness and mitigate risks, thereby ensuring the Easyknit Group's sustainable growth.

(D) FOR THE YEAR ENDED 31 MARCH 2016

BUSINESS REVIEW

A. Continuing operations

During the year, the Easyknit Group was principally engaged in the property investment, property development, securities investment and money lending business.

(i) Property Investment

The Easyknit Group has investment properties in Hong Kong only.

Turnover of the Easyknit Group's property rental for the year was HK\$55,007,000. The Easyknit Group's investment properties comprise residential, commercial and industrial properties.

As at 31 March 2016, the Easyknit Group's commercial and residential investment properties were 100% leased out. The industrial investment properties in Hong Kong continued to maintain a high occupancy rate of 89.7%. The property management fee income was HK\$881,000.

(ii) Property Development

A residential project, namely PAXTON, at No. 311-313 Prince Edward Road West, Kowloon, Hong Kong which offers about 49 units of 74,285 square feet gross floor area was formally launched in July 2014. For the year under review, the total revenue derived from the property sales of PAXTON was HK\$599,484,000.

The foundation works on the redevelopment of Project 301 at the site of Nos. 301, 301AC Prince Edward Road West, Kowloon, Hong Kong has been completed in February 2016; and it is expected to be launched in the year 2017.

(iii) Securities Investment

The Easyknit Group maintains a security portfolio with a strategy of diversification to reduce effects of price fluctuations of any single securities.

For the year ended 31 March 2016, the Easyknit Group held trading securities in the amount of HK\$64,695,000. It was derived from: (1) the disposal of trading securities during the year which had a cost or fair value as at 31 March 2015 of HK\$240,350,000; (2) purchase of trading securities of HK\$74,396,000 during the year; (3) on deemed disposal of subsidiaries of HK\$132,373,000; and (4) net increase in market value in the amount of HK\$37,587,000 of the trading securities.

From continuing operations, the Easyknit Group recognised (1) gain on fair value changes of trading securities for the year of HK\$27,604,000; (2) loss of HK\$38,504,000 on fair value changes of financial assets designated at fair value through profit or loss; and (3) gain of HK\$57,915,000 on disposal of available-for-sale investments. This segment recorded a profit of HK\$70,328,000.

B. Discontinued operations

Eminence

With effect from 12 June 2015, the financial results of this business segment was classified as the discontinued operation because Eminence was changed from a subsidiary to an associate of Easyknit due to the deemed disposal of the Easyknit Group's effective interests from 40.96% to 34.41% in Eminence. The deemed disposal of interests is caused by the issuing of a convertible note by Eminence to an independent third party.

During the year, the turnover of this business segment contributed to the Easyknit Group amounted to HK\$14,858,000 and recorded the loss of HK\$510,376,000 from the discontinued operation.

FINANCIAL REVIEW

Revenue

The Easyknit Group revenue from continuing operations for the year ended 31 March 2016 was HK\$678,516,000.

Gross Profit/Margin

Gross profit for this year was HK\$286,234,000. Gross profit margin for this year was 42.2%.

Profit before Taxation

Profit before taxation for the year ended 31 March 2016 was HK\$707,344,000. It was mainly due to the share of results of associates of HK\$559,147,000.

Selling and distribution costs were HK\$82,819,000. It was mainly attributable to the increase of sale of PAXTON. Administrative expenses were HK\$58,905,000.

During the year under review, there was a loss on changes in fair value of investment properties to HK\$33,238,000 for Hong Kong investment properties.

Finance costs was HK\$23,815,000 due to the reduction of bank borrowings during the year.

Profit Attributable to Easyknit Shareholders and Earnings per Share

Profit for the year from continuing and discontinued operations of Easyknit for the year ended 31 March 2016 was HK\$164,642,000. Net profit margin was 24.3%. Taxation charge was HK\$32,326,000.

Basic earnings per share from continuing and discontinued operations for the year 31 March 2016 was HK\$1.75.

Liquidity and Financial Resources

The Easyknit Group financed its operation through internally generated cash flow and bank borrowings. As at 31 March 2016, the Easyknit Group's bank borrowings amounted to HK\$902,021,000. The gearing ratio of the Easyknit Group, calculated as a ratio of total borrowings to total equity, for the year was 0.29.

As at 31 March 2016, the Easyknit Group has net current assets of HK\$713,897,000. Current ratio was 3.0. The bank balances and cash as at 31 March 2016 was HK\$12,332,000.

Capital Structure

During the year, there was no change to the share capital of Easyknit. As at 31 March 2016, the total number of issued ordinary shares of Easyknit was 79,420,403 shares.

Charge on Easyknit Group Assets

As at 31 March 2016, bank loans amounting to HK\$902,021,000 were secured by investment properties, properties held for development for sale, properties held for sale and deposit and prepayments for a life insurance policy of the Easyknit Group having a net book value of HK\$2,183,285,000.

Exposure on Foreign Exchange Fluctuations

Most of the Easyknit Group's revenues and payments are in Hong Kong dollars, US Dollars and Singapore dollars. During the year, the Easyknit Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed. The Easyknit Directors considered the risk of exposure to the currency fluctuation to be minimal.

Material Acquisitions and Disposals***Interest in Eminence****(i) Deemed Disposal of Interests in Eminence*

Upon the completion of issuing a convertible note in a principal amount of HK\$86,000,000 to an independent party by Eminence on 12 June 2015, the Easyknit Group's effective interest in Eminence, assuming the full conversion of convertible note by convertible noteholder, was diluted from approximately 40.96% to 34.41%. Therefore, it was treated as a deemed disposal of the interests in Eminence by the Easyknit Group, and Eminence became an associate of Easyknit.

(ii) Subscriptions of Rights Shares of Eminence

During the year, the Easyknit Group has undertaken to Eminence and the underwriter on the subscription of the rights shares of Eminence for a total of 435,553,040 rights shares which were allotted and taken up in full on 3 November 2015, the subscription cost amounted to approximately HK\$209,065,500.

The Easyknit Group did not apply any excess rights shares in the above rights issue.

As at the date of this report, Easyknit, through its wholly-owned subsidiaries, Landmark Profits Limited and Goodco Development Limited, is interested in 457,330,692 shares of Eminence, representing approximately 40.96% of the issued share capital of Eminence.

Disposal of Properties Group

On 6 August 2015, Eminence and Easyknit Properties Holdings Limited, a wholly-owned subsidiary of Easyknit, entered into 4 sets of sale and purchase agreements in relation to the purchase of all the issued shares and sale loan of the properties group at a total consideration of HK\$240 million. The disposal has been completed on 11 November 2015. The properties group has 11 properties comprises 6 residential units (3 units in Hong Kong and 3 units in Singapore) and 5 industrial units.

Save as disclosed above, the Easyknit Group had no material acquisitions or disposals of subsidiaries or associated companies during the year.

Contingent Liabilities

The Easyknit Group did not have any significant contingent liabilities as at 31 March 2016.

Capital Expenditure

During the year under review, the Easyknit Group spent approximately HK\$3,091,000 on the acquisition of property, plant and equipment, and spent approximately HK\$119,000 on addition of investment properties.

Capital Commitments

As at 31 March 2016, the Easyknit Group had capital commitments in respect of capital expenditure contracted for but not provided of HK\$8,669,000.

EMPLOYEES

As at 31 March 2016, the Easyknit Group had a total of 23 employees. Staff costs (including directors' emoluments) amounted to HK\$37,304,000 for the year under review. The Easyknit Group remunerates its employees based on their performance, experience and prevailing industry practice. The Easyknit Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees. The Easyknit Group has a share option scheme to motivate employees.

EVENT AFTER THE END OF THE REPORTING PERIOD

The Easyknit Group, through its wholly-owned subsidiary, purchased 2 equity linked notes of Ping An Insurance (Group) Co. of China Limited, for an aggregate principal amount of HK\$79,000,000 on 3 May 2016 and 5 May 2016. Details of this transaction was published on Easyknit's announcement dated 11 May 2016.

PROSPECTS

The China economy had been grown at a slower rate than the government target of 7% in 2015, the continuous sliding of the Chinese and Hong Kong stock markets in the past months, the financial uncertainties about the pace of increase in interest rate in the United States and the instabilities in the European economy, which are expected to cloud the global economic outlook. As Hong Kong's economic performance hinges on global economic and financial conditions, these uncertain factors may affect property market sentiment in the months ahead. However, we expect the market to remain buoyant with more projects coming onto the market at competitive pricing levels and strong end user demand driving sales.

The Easyknit Group will continue to closely monitor market changes and proactively refine its sales and pricing strategies of PAXTON according to the market conditions. It will adopt specific measures to speed up the sales of inventories and cash inflows. Meanwhile, it will accelerate the development pace and strive to swiftly destock saleable resources in order to enhance its competitiveness in the market.

In addition, the Easyknit Group will continue to adhere to its principle of steady development and endeavor to improve the development of existing projects so as to increase the asset turnover rate. Meanwhile, the Easyknit Group strives to improve the debt structure, adjust the projects' management system in respect of management models and construction cost in order to enhance the profitability of the Easyknit Group.

According to the Hong Kong 2016/2017 budget, the forecasted GDP growth rate for 2016 is one to two percent, which is lower than the growth rate of 2015. Looking forward for the growth of the money lending business, the Easyknit Group shall seize business opportunities on the increasing demand for mortgage loans and expand its loan portfolio. The Easyknit Group is confident about the future performance of its property mortgage loan portfolio, interest income and profit; and it believes that it will generate stable returns to its shareholders in the foreseeable future.

To keep profitable in the securities investment business, Easyknit reviews the performance of its existing investment portfolio and evaluating the investment potentials of other investment opportunities available to Easyknit. Easyknit shall make suitable investment decisions which broadens and diversifies its investment portfolio with a view of realizing and/or optimizing the expected return and minimizing the risks.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE EMINENCE GROUP FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2016, 2017, 2018 AND SIX MONTHS ENDED 30 SEPTEMBER 2018.

For the six months ended 30 September 2018

Financial and Business Review

The principal activities of the Eminence Group are property investment, property development, securities investment and loan financing business. As at 30 September 2018 (the “**Period**”), the total assets of the Eminence Group amounted to HK\$4,375,322,000. The revenue was HK\$29,218,000.

Below sets out the performance of each principal business segment of the Eminence Group, namely property investment, property development, securities investment and loan financing businesses:

(i) Property Investment

The Eminence Group’s investment properties comprise of residential, commercial and industrial real estate in Hong Kong.

The Eminence Group has investment properties in Hong Kong, the People’s Republic of China and Singapore. As at 30 September 2018, the Eminence Group’s investment properties, comprising completed investment properties and investment properties under development, amounted to approximately HK\$20,183,000 million representing approximately 69% of the Eminence Group’s total assets.

(ii) Property Development

(a) Project Matheson

As at 30 September 2018, the Eminence Group, through its subsidiary, is the registered owner of No. 11, 13 and 15 Matheson Street, Causeway, Hong Kong (the “**Matheson Building**”). The Matheson Building is a composite 6-storey building with 14 units, with a site area of approximately 265.42 square metres. After redevelopment, the site will provide a gross floor area of approximately 3,982.08 square metres of commercial/office mixed-use building. Currently, the redevelopment is in full swing and is expected to be completed in the fourth quarter of 2021.

(b) Project Fung Wah

As at 30 September 2018, the Eminence Group owns approximately 90.83% of Fung Wah Factorial Building which is situated at Nos. 646, 648 & 648A Castle Peak Road, Kowloon, Hong Kong (the “**Fung Wah Building**”). The Eminence Group intends to make an application to the Lands Tribunal for a compulsory sale order under the Land (Compulsory Sale for Redevelopment) Ordinance in the very near future in order to acquire the remaining units of the building and, if successful, redevelop the building into a commercial/mixed development building with car parking spaces.

As at 30 September 2018, the 16 units of the Fung Wah Building are leased out and the total rental income for the Period was approximately HK\$2,902,000.

(c) Project Wing Cheong

As at 30 September 2018, the Eminence Group, through its wholly-owned subsidiary, owns approximately 86.36% of Wing Cheong Factory Building which is situated at No. 121 King Lam Street, Kowloon, Hong Kong (the “**Wing Cheong Building**”) with a site area of approximately 5,483 sq.ft. Eminence has filed an application under the Land (Compulsory Sale for Redevelopment) Ordinance to the Lands Tribunal for an order to auction all the undivided shares of the Wing Cheong Building for the purposes of redevelopment (the “**Compulsory Sale**”), details of which are set out in Eminence’s announcement dated 12 September 2018. If the Eminence Group successfully acquires the entire lot, the Eminence Group plans to develop the site into an industrial mixed-use building with car parking spaces.

As at 30 September 2018, the 15 industrial units of the Wing Cheong Building are leased out and the total rental income for the Period was approximately HK\$2,140,000.

(d) Project Capital Centre

The Eminence Group, through its wholly-owned subsidiary, owns office units 01, 02, 03, 05, 06, 07, 08 and 09 on the 12th Floor (with a total saleable area of approximately 11,316 square feet) of Capital Centre, No. 151 Gloucester Road, Hong Kong (“**Capital Centre**”) and carparking spaces numbers 329, 330 and 331 on the 3rd Floor of Capital Centre. These properties were acquired for investment purposes on 30 April 2018.

However, due to the trade war, the equity and financial markets have materially changed. To give Eminence maximum flexibility, Eminence plans to auction these properties (as a whole) through open tender subject to a minimum price of no less than HK\$310 million. For further details, please refer to Eminence’s announcement dated 4 October 2018.

(iii) Securities Investment

During the period under review, the Eminence Group adopted a prudent attitude in its securities investments. The Eminence Group had acquired listed securities investments and disposed of some shares in the investment portfolio. The Eminence Group recorded fair value loss securities investments of HK\$25,483,000. As a result, the Eminence Group reported segment loss of HK\$25,567,000 during the period under review. The Eminence Group received dividend income from the listed securities investments of HK\$2,971,000 during the period under review. The Eminence Group considers the prospects in respect of the investments are healthy. The Eminence Directors understands that the performance of the investments may be affected by volatility in the Hong Kong stock market and subject to other external factors. Accordingly, the Eminence Group will continue to maintain a diversified portfolio of investment of different segments of markets to minimise the possible financial risks. The Eminence Group will closely monitor the performance progress of the investment portfolio from time to time.

At 30 September 2018, the Eminence Group held securities investments amounting to HK\$39,129,000. It was derived from (i) the purchase of securities investments of HK\$14,368,000 during the period under review; (ii) the disposal of securities investments which had a cost or fair value as at 31 March 2018 of HK\$160,405,000; and (iii) net decrease in market value in the amount of HK\$25,483,000 of securities investments. This value represented an investment portfolio comprising 5 equity securities which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

(iv) Loan Financing

For the Period, this segment recorded a revenue of HK\$9,035,000.

Capital Structure

As at 30 September 2018, the total number of issued ordinary shares of Eminence was 2,965,832,059. The unaudited consolidated loss attributable to owners of the Eminence Group was approximately HK\$39,529,000 as at 30 September 2018.

Material acquisitions and disposals

The Eminence Group did not make any significant investments, material acquisitions or disposal during the Period.

Liquidity and Financial Resources

As at 30 September 2018, total assets of the Eminence Group amounted to HK\$4,375,322,000. In terms of financial resources as at 30 September 2018, the Eminence Group’s total bank balances and cash was HK\$123,066,000.

As at 30 September 2018, the Eminence Group has total bank borrowings of HK\$1,347,515,000. The Eminence Group's gearing ratio, which is calculated as a ratio of total bank borrowings to Eminence shareholders' equity was approximately 0.51. As at 30 September 2018, the Eminence Group's current ratio was 4.8.

The Eminence Group financed its operations primarily with recurring cash flow generated from its operations, proceeds raised from the capital market and bank financing.

Charges of the Eminence Group Assets

As at 30 September 2018, the Eminence Group had bank loans amounting to HK\$1,347,515,000 which were secured by the Eminence Group's properties with an aggregate net book value of HK\$615,800,000 (investment properties) and HK\$2,711,284,000 (properties held for development for sale) respectively.

Exposure of Foreign Exchange Fluctuations

Most of the Eminence Group's revenues and payments are in Hong Kong dollars, United States dollars, Singapore dollars and Renminbi. During the Period, the Eminence Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed.

Contingent Liabilities

The Eminence Group did not have any significant contingent liabilities as at 30 September 2018.

Capital Expenditures and Capital Commitments

During the Period, the Eminence Group invested HK\$638,000 in the purchase of property, plant and equipment, and spent HK\$282,996,000 on addition of investment properties.

As at 30 September 2018, the Eminence Group had capital commitments in respect of capital expenditure contracted for but not provided of approximately HK\$23,863,000.

Changes in Fair Value of Investment Properties

As at 30 September 2018, there was a loss of HK\$2,288,000 on changes in fair value of investment properties.

Finance Costs

Finance costs was HK\$19,420,000 as at 30 September 2018.

Share Option Scheme

On 29 June 2012, a new share option scheme (“**Scheme**”) was adopted and approved by the Eminence Shareholders for a period of 10 years commencing on the adoption date. Since the adoption date, the Eminence Directors, may at its discretion, grant share options to any eligible person to subscribe for the Eminence Shares subject to the terms and conditions as stipulated in the Scheme. During the Period, no share option was outstanding, granted, exercised, cancelled or lapsed under the Scheme.

Future Plans

The Eminence Group will continue to identify appropriate investment and divestment opportunities that fit the objective and investment criteria of the Eminence Group and will continue to seek opportunity to replenish its property portfolio.

The Eminence Group did not have any further plans for material investments nor addition of capital assets during the period ended 30 September 2018.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting Period, the resolutions regarding the disposal of Capital Centre by way of tender was passed at the special general meeting on 6 December 2018. For further details, please refer to Eminence’s announcements dated 4 October 2018 and 6 December 2018 and the circular dated 20 November 2018.

The disposal of Capital Centre is in line with the investment management strategies of the Eminence Group and will provide funding for the Eminence Group to expand and diversify its property investment.

For the year ended 31 March 2018**BUSINESS REVIEW**

For the year ended 31 March 2018, the Eminence Group’s revenue amounted to HK\$49,605,000. There was a profit for the year attributable to the owners of Eminence of HK\$53,539,000. The profit for the year ended 31 March 2018 was mainly due to the gain arising from changes in fair value of investment properties amounting to HK\$72,337,000.

The basic and diluted earnings per share amounted to HK2.31 cents and HK2.15 cents respectively for the year ended 31 March 2018. The review of the individual business segments of the Eminence Group are set out below.

Property Investment

For the year ended 31 March 2018, the total rental income of the Eminence Group recorded HK\$33,012,000. The increase is primarily due to the contributions from newly acquired properties, as well as continued management of tenant mix and rental reversion at major investment properties during the year under review.

Hong Kong

In Hong Kong, the Eminence Group owns residential units, commercial units and industrial units with a total carrying amount of HK\$1,156,000,000 as at 31 March 2018. For the year ended 31 March 2018, the Eminence Group recorded property rental income of HK\$16,516,000.

Singapore

In Singapore, the Eminence Group owns 3 residential units with a total carrying amount of HK\$162,456,000 as at 31 March 2018. For the year ended 31 March 2018, the Eminence Group received property rental income of HK\$2,719,000.

People's Republic of China (the "PRC")

In Huzhou City, Zhejiang Province of the PRC, the Eminence Group has 12 blocks of factory premises and 4 blocks of dormitories with a total carrying amount of HK\$338,177,000 at 31 March 2018. For the year ended 31 March 2018, the Eminence Group recorded property rental income of HK\$13,777,000.

Property Development***Project Matheson***

The Eminence Group owns 12 out of 14 units of a non-industrial building at Nos. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong (the "**Matheson Building**"). On 29 September 2017, the Eminence Group successfully acquired through auction under Chapter 545 of the 2 remaining units of Matheson Building (the "**Remaining Units**"). Following the acquisition of the Remaining Units, the Eminence Group had 100% ownership of the Matheson Building with a site area of approximately 2,857 sq.ft.. The whole site is under development construction. Redevelopment is expected to be completed in the third quarter of 2021.

Investment in Securities

For the year ended 31 March 2018, the Eminence Group has adopted a prudent attitude in its securities investment. The Eminence Group had acquired listed securities under held for trading investments and disposed of some shares in the investment portfolio. The Eminence Group recorded fair value loss on held for– trading investments of HK\$2,195,000. The impairment loss on available-for-sale investments was HK\$3,406,000. As a result, the

Eminence Group reported a reduced segment loss of HK\$1,316,000 for the year ended 31 March 2018. The Eminence Group received dividend income from the listed securities under held for trading investments and available-for-sale investments of HK\$41,000 and HK\$4,496,000 respectively for the year ended 31 March 2018.

The Eminence Group considers that the prospects in respect of the shares still held-for-trading investments are healthy. The Eminence Directors understands that the performance of the investments may be affected by the degree of volatility in the Hong Kong stock market and subject to other external factors that may affect their values. Accordingly, the Eminence Group will continue to maintain a diversified portfolio of investment of different segments of markets to minimise the possible financial risks. Also, the Eminence Directors will closely monitor the performance progress of the investment portfolio from time to time.

At 31 March 2018, the Eminence Group held securities for trading investments amounting to HK\$3,436,000. It was derived from (i) the purchase of held for trading investments of HK\$2,540,000 during the year under review; and (ii) the securities held for trading investments which had a cost or fair value as at 31 March 2018 of HK\$1,414,000; and (iii) net decrease in market value in the amount of HK\$2,195,000 of held for trading investments. This value represented an investment portfolio comprising 3 equity securities which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Available-for-sale investments

The Eminence Group also held significant investments under available-for-sale investments as at 31 March 2018 as below:

Company name/ (stock code)	No. of shares held	Approximate percentage held to the total issued share capital of the company/ investment %	Investment cost/cost of acquisition HK\$'000	Dividend income for the year ended 31 March 2018 HK\$'000	Fair value gain for the year ended 31 March 2018 HK\$'000	Fair value at 31 March 2018 HK\$'000	Approximate percentage of total assets of the Eminence Group at 31 March 2018 %
Hong Kong Exchanges and Clearing Limited (“HKEx”) (388) (Note)	686,523	0.06	132,434	3,095	40,756	175,063	4.36
Other listed shares*	—	—	31,663	1,401	4,189	32,150	0.80
Grand total:			164,097	4,496	44,945	207,213	5.16

* Other listed shares included 3 companies whose shares are listed on the Main Board of the Stock Exchange.

Note: Eminence’s shareholders passed a resolution at the special general meeting on 7 March 2018 to grant of disposal mandate of HKEx (“**HKEx Disposal Mandate**”) to the Eminence Directors for the disposal of all or part of the interests in HKEx for a 12-month period commencing 7 March 2018. During the period from 7 March 2018 and up to the date of this report, Eminence did not dispose of

any shares in HKEx pursuant to the HKEx Disposal Mandate and therefore, the Eminence Group beneficially owns a total of 686,523 shares in HKEx as at the date of this report. Details are set out in Eminence's circular dated 12 February 2018

Loan Financing

For the year ended 31 March 2018, the Eminence Group recorded interest income from the loan financing business amounting to HK\$16,593,000, representing approximately 33.5% of the total revenue of the Eminence Group. The segment profit of loan financing business was HK\$9,208,000 for the year ended 31 March 2018. The outstanding principal amount of loans receivable as at 31 March 2018 was HK\$265,297,000. During the year under review, the Eminence Group did not record any doubtful or bad debt in its loan financing business. The Eminence Group will continue to develop in this segment in order to earn a higher interest income.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2018, the Eminence Group's revenue was HK\$49,605,000 which was derived from the increase in the rental income from the property investment business and interest income from the loan financing business.

Gross Profit/Margin

Gross profit of the Eminence Group for the year ended 31 March 2018 was HK\$46,725,000. Gross profit margin for the year reached approximately 94.2%, as a result of the increase in cost of services rendered.

Profit/Loss before Taxation

Profit before taxation of the Eminence Group for the year ended 31 March 2018 was HK\$54,608,000.

Distribution and selling expenses of the Eminence Group was HK\$40,000. Administrative expenses of the Eminence Group were HK\$35,525,000. During the year ended 31 March 2018, there was a gain on changes in fair value of investment properties amounting to HK\$72,337,000.

Finance costs of the Eminence Group was HK\$31,373,000, of which HK\$17,128,000 is the effective interest expense on convertible notes.

Profit/Loss Attributable to owners of Eminence and Earnings/Loss per Eminence Share

Profit attributable to owners of the Eminence Group for the year ended 31 March 2018 was HK\$53,539,000. Net profit margin is 107.9%.

For the year ended 31 March 2018, the taxation charge was HK\$1,069,000. Basic and diluted earnings per share for the year 31 March 2018 were HK2.31 cents and HK2.15 cents respectively.

Liquidity and Financial Resources

At 31 March 2018, total assets of the Eminence Group amounted to HK\$4,011,917,000. In terms of financial resources as at 31 March 2018, the Eminence Group's total bank balances and cash was HK\$125,422,000.

At 31 March 2018, the capital base has been strengthened because an aggregate net proceeds of HK\$94,280,000 was raised from the placing of new shares and issuing of convertible notes during the year. At 31 March 2018, the Eminence Group has total bank borrowings of HK\$1,092,660,000. The Eminence Group's gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders' equity, was approximately 0.40. As at 31 March 2018, the Eminence Group's current ratio was 3.5. The Eminence Group financed its operations primarily with recurring cash flow generated from its operations, proceeds raised from the capital market and bank financing.

Fund Raising Activities

Issue of shares during the year

- (1) On 3 July 2017, Eminence and a placing agent entered into a placing agreement pursuant to which the placing agent agreed to place, on a best effort basis, up to 325,000,000 placing shares at a price of HK\$0.08 per placing share with the aggregate nominal value of HK\$3,250,000 under the refreshed general mandate granted to the Eminence Directors by a resolution of the independent shareholders of Eminence at the special general meeting of Eminence held on 26 April 2017, to not less than six placees, who were independent professional, institutional or individual investors and who and whose ultimate beneficial owners were independent third parties. The closing price of the shares on 3 July 2017 was HK\$0.08. The placing was completed on 19 July 2017 and the net proceeds (representing net issue price of approximately HK\$0.079 per placing share) were approximately HK\$25,740,000, which were intended to be used for the acquisition of the Remaining Units of Matheson Building. The net proceeds were fully utilised during the year as intended. The Eminence Directors were of the view that the placing was fair and reasonable and in the interest of Eminence and its shareholders as a whole. Details of which are set out in Eminence's announcements dated 3 July 2017 and 19 July 2017.
- (2) On 30 November 2017, Eminence and a placing agent entered into a placing agreement pursuant to which the placing agent agreed to place, on a best effort basis, up to 447,000,000 placing shares at a price of HK\$0.055 per placing share with the aggregate nominal value of HK\$4,470,000 under the general mandate granted to the Eminence Directors by a resolution of the shareholders of Eminence at the annual general meeting of Eminence held on 24 July 2017, to not less than six placees, who were independent professional, institutional or individual investors and who and whose

ultimate beneficial owners were independent third parties. The closing price of the shares on 30 November 2017 was HK\$0.065. The placing was completed on 21 February 2018 and the net proceeds (representing net issue price of approximately HK\$0.054 per placing share) were approximately HK\$24,340,000, which were intended to be used for the acquisition of Fung Wah Factorial Building (“**FW Building**”). The net proceeds were fully utilised during the year as intended. The Eminence Directors were of the view that the placing was fair and reasonable and in the interest of Eminence and its shareholders as a whole. Details of which are set out in Eminence’s announcements dated 30 November 2017, 20 December 2017, 31 January 2018 and 21 February 2018.

Issue of convertible notes during the year

- (1) On 1 March 2017, Eminence as an issuer and Goodco Development Limited (the “**Subscriber**”), a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Easyknit, as a subscriber entered into the subscription agreement, pursuant to which Eminence has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the convertible notes in the aggregate principal amount of HK\$16,000,000 (the “**2017CN1**”) which may be converted into 100,000,000 conversion shares at the conversion price of HK\$0.16 per conversion share (collectively, the “**Subscription1**”). The interest rate of 3.0% per annum of the 2017CN1 on the outstanding principal amount. The Subscription1 was completed on 11 May 2017 and the maturity date is 11 May 2022. The net proceeds were approximately HK\$15,500,000, which were intended to be used for the general working capital of the Eminence Group. The net proceeds were fully utilised during the year as to HK\$9.2 million for repayment of bank loan and interest and HK\$6.3 million for payment of general operating expenses. Details of which are set out in Eminence’s announcements dated 1 March 2017, 28 April 2017 and 11 May 2017 and Eminence’s circular dated 5 April 2017.
- (2) On 7 August 2017, Eminence as an issuer and the Subscriber entered into the subscription agreement, pursuant to which Eminence has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the convertible notes in the aggregate principal amount of HK\$28,200,000 (the “**2017CN2**”) which may be converted into 470,000,000 conversion shares at the conversion price of HK\$0.06 per conversion share (collectively, the “**Subscription2**”). The interest rate of 3.0% per annum of the 2017CN2 on the outstanding principal amount. The Subscription2 was completed on 26 September 2017 and the maturity date is 26 September 2020. The net proceeds were approximately HK\$27,800,000, which were intended to be used for the general working capital of the Eminence Group. The net proceeds were fully utilised during the year as intended. Details of which are set out in Eminence announcements dated 7 August 2017 and 26 September 2017 and Eminence circular dated 28 August 2017. On 18 October 2017, the Subscriber exercised its right attached to the 2017CN2 for the amount of HK\$16,920,000 to convert 282,000,000 conversion shares of Eminence and where are issued and allotted to the Subscriber on the same date.

Previous fund raising activity

During the year, Eminence further utilised the net proceeds from the placing took place on 27 February 2017. Updates on the actual use of proceeds during the year are as follows:

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use as at 31 March 2018
3 January 2017	Placing of 350,000,000 shares under specific mandate	HK\$55 million	Acquisition of FW Building	Fully applied as intended

Charges of Assets

As at 31 March 2018, the Eminence Group had bank loans amounting to HK\$1,092,660,000 which were secured by the Eminence Group's investment properties and properties held for development for sale with an aggregate net book value of HK\$986,740,000 and HK\$1,634,964,000 respectively.

Material Acquisitions*Acquisition of the Remaining Units of the Matheson Building*

Prior to the date of the auction, the Eminence Group already owns 12 units out of 14 units of the entire Matheson Building; and the value of the Remaining Units represents 42% of the bidding price. The auction was held on 29 September 2017 and the Eminence Group won the bid. Therefore the consideration for the acquisition of the Remaining Units by the Eminence Group is HK\$185,220,000 (i.e. 42% of the final bidding price), it should be financed partly by internal resources of Eminence and partly by bank financing. The completion date for the acquisition took place on 30 October 2017. The Eminence Directors have a view that the Matheson Building site will be redeveloped together with an adjacent property already owned by Eminence into a new composite commercial building and it shall reap the benefits of scale both in terms of development costs, and future sales or leasing of such properties.

Details of the acquisition are set out in Eminence's announcements dated 22 August 2017 and 29 September 2017 and Eminence's circular dated 12 September 2017.

Acquisition of FW Building

On 14 August and 15 August 2017, Treasure Arts International Group Limited ("Treasure Arts"), an indirect wholly-owned subsidiary of Eminence, as the purchaser, entered into an agreement for sale and purchase and a provisional agreement with the respective sellers who are independent third parties respectively, pursuant to which amongst other things, Treasure Arts conditionally agreed to acquire, and the sellers agreed to sell workshop A, 1/F of the FW Building, shares 4/120th undivided shares of the entire FW

Building with a total saleable area of approximately 1,910 sq.ft. and workshop D, ground floor of the FW Building, shares 6/120th undivided shares of the entire FW Building with a total saleable area of approximately 1,637 sq.ft. at a total consideration of HK\$81,300,000. The completion of the acquisition took place in mid-November 2017.

On 20 November 2017, Treasure Arts as the purchaser, entered into an agreement for sale and purchase agreement with the sellers who are independent third parties respectively, pursuant to which amongst other things, Treasure Arts conditionally agreed to acquire, and the sellers agreed to sell workshop space A1, ground floor of the FW Building at a total consideration of HK\$53,000,000. The property was divided into 3 portions, portion-1 and portion-2 are leased with tenancies and portion-3 is self-occupied by the sellers. In addition, Chan Kai Wah and Chan Choi Fong as the licensee shall have the rights after the completion date to take up a licence to occupy Portion-3 for a monthly license fee of HK\$30,000 (inclusive of rates, Government rent and management fees and payment of HK\$116,790, payable every 3 months, being temporary waiver for change of land user) until 30 June 2018 and the licensee further has the option to extend the licence period to 31 December 2018. The property is currently on lease for HK\$61,100 per month (inclusive of government rent and management fees, exclusive of other outgoings), amount of deposit held under the tenancy agreements was HK\$122,200 and currently used for commercial purpose. The completion of the acquisition took place on 9 February 2018.

Details of the acquisitions are set out in Eminence's announcements dated 16 August 2017, 29 September 2017 and 23 November 2017 and Eminence's circulars dated 29 September 2017 and 4 January 2018.

Acquisition of Wing Cheong Building

On 28 March 2017, the Eminence Group through Wealth Plan Development Limited ("**Wealth Plan**"), an indirect wholly-owned subsidiary of Eminence, entered into the 17 provisional agreements with each of the 17 vendors, which are independent third parties, pursuant to which Wealth Plan has agreed to acquire the respective properties from the relevant vendors for an aggregate cash consideration of HK\$226,052,500. The properties included 18 industrial units and 2 car park units of the Wing Cheong Building (collectively, the "**Wing Cheong Properties**") and 11 units of the Wing Cheong Properties are subject to the tenancy agreements that by the terms may still be in force as at 28 March 2017. Such tenancies would be expired between April 2017 and April 2020. The acquisition of the Wing Cheong Properties took place on 28 June 2017. Details of which are set out in Eminence's announcement dated 29 March 2017 and Eminence's circular dated 12 May 2017.

Acquisition of Capital Centre

On 11 January 2018, Lion Capital Investment Limited ("**Lion Capital**"), a wholly-owned subsidiary of Eminence, entered into the provisional agreement with Brilliant Circle Holdings International Limited, a company incorporated in the Cayman Islands with limited liability and the shares are listed on the Main Board of the Stock Exchange (stock code: 1008), as vendor (the "**Vendor**"), pursuant to which (i) Lion Capital has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the sale interests (the

“**Sale Interests**”) (comprising the entire issued share capital of Empire Sail Limited (the “**Target Company**” and its subsidiaries, collectively, the “**Target Eminence Group**”), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor and the shareholders’ loan due and owing by the Target Eminence Group to the Vendor and Vendor’s subsidiaries amounted to approximately HK\$221 million (the “**Sale Loans**”)) for a consideration of HK\$295 million (subject to adjustments); and (ii) Lion Capital has agreed, subject to completion, to grant a lease back to the Vendor or its nominee for each of Unit 1201A of Capital Centre, No. 151 Gloucester Road, Hong Kong (the “**Property 1**”) and Unit 1202 of Capital Centre, No. 151 Gloucester Road, Hong Kong (the “**Property 2**”) at the monthly rentals of HK\$256,240 and HK\$62,559 respectively for two years commencing from the next date immediately following the completion date. The Target Company owned the office units 01, 02, 03, 05, 06, 07, 08 and 09 on the 12th Floor (with a total saleable area of approximately 11,316 sq.ft.) and car parking spaces numbers 329, 330 and 331 on the 3rd Floor of Capital Centre, No. 151 Gloucester Road, Hong Kong. The acquisition of the Target Eminence Group took place on 30 April 2018. Details of which are set out in Eminence’s announcement dated 11 January 2018 and Eminence’s circular dated 15 March 2018.

Save as disclosed above, the Eminence Group had no material acquisitions of subsidiaries or associated companies during the year.

Exposure on Foreign Exchange Fluctuations

Most of the Eminence Group’s revenues and payments are in United States dollars, Hong Kong dollars, Singapore dollars and Renminbi. During the year, the Eminence Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed. The Eminence Directors considered the risk of exposure to the currency fluctuation to be minimal.

Contingent Liabilities

The Eminence Group did not have any significant contingent liabilities as at 31 March 2018.

Capital Expenditure and Capital Commitments

Capital Expenditure

For the year ended 31 March 2018, the Eminence Group invested HK\$1,433,000 in the purchase of property, plant and equipment, and spent HK\$201,710,000 on addition of investment properties. These capital expenditures were financed from internal resources and funds from previous fund raising activities of Eminence.

Capital Commitments

As at 31 March 2018, the Eminence Group had capital commitments in respect of capital expenditure contracted for but not provided in respect of investment properties of HK\$265,975,000.

EMPLOYEES

As at 31 March 2018, the Eminence Group had 46 employees. Staff costs (including directors' emoluments) amounted to HK\$17,065,000 for the year ended 31 March 2018. The Eminence Group remunerates its employees based on their performance, experience and prevailing industry practice. The Eminence Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the state sponsored pension scheme operated by the PRC government for the PRC employees. The Eminence Group has a share option scheme to motivate valued employees.

PROSPECTS

Hong Kong's property market is expected to grow on the back of a healthy economy, rising confidence in economic growth and continuous inflow of foreign capital. Driven by strong investment appetite and abundant liquidity, property prices continue to beat market expectation in 2017 and expect to move up moderately in 2018 although buyer's sentiment may be affected by the advent of the U.S. interest rate upcycle. Office market will continue to benefit from a strong GDP growth and optimistic business outlook by major industries while the high rental cost will make the companies look for alternative solutions in emerging business districts. As for the industrial market, the new revitalization policy will further enhance the industrial property values which will attract new investments. The Eminence Group expects rising demand and shortage in the supply of newly built commercial buildings in Hong Kong for the near future. The Eminence Group will proactively look for feasible development projects to enrich the Eminence Group's land bank and launch property project(s) into the market with an accurate product positioning as well as effective sales and marketing strategy.

Through the fund raising activities in the capital market, the Eminence Group has successfully raised funds for property development projects and general working capital with relatively low financing cost as compared with bank financing. The Eminence Group remains optimistic about the property market in Hong Kong which is expected to grow steadily and will place emphasis on strengthening the property development and investment businesses by enhancing efficiency and diversifying the development project portfolio to include various types of commercial properties in prime locations. This will ensure the Eminence Group and work to the best interest of the Eminence Group and its shareholders as a whole.

For the year ended 31 March 2017

BUSINESS REVIEW

For the year ended 31 March 2017, the Eminence Group was principally engaged in property investment, comprising the ownership and rental of investment properties, property development, investment in securities and loan financing business.

Geographical Analysis of Turnover

For the year ended 31 March 2017, rental income from the investment properties were derived from properties located in Hong Kong, Singapore and the PRC.

(i) Property Investment

Revenue from the property investment segment was HK\$29,384,000 for the year ended 31 March 2017. The increase in turnover is primarily attributed to the addition of the investment properties, the effect of tenancy renewal, periodic rental adjustments under the clauses of the existing tenancy agreements and new tenants.

The Eminence Group has 9 blocks of factory premises and 4 blocks of dormitories with a total gross floor areas of approximately 94,351 sq.m. in Huzhou, PRC.

(ii) Property Development

Project Matheson

Eminence had filed an application to the Lands Tribunal in December 2015 for an order to sell all the undivided shares in a building located at Nos. 11 and 13 Matheson Street, Causeway Bay, Hong Kong aimed at to acquire the last unit (“**Remaining Unit**”) of the building for redevelopment purpose. A court order was received in January 2017 relating to the trial of Project Matheson for 8 days in early July 2017.

(iii) Securities Investment

The Eminence Group has maintained a securities portfolio with a strategy of diversification to reduce effects of price fluctuation of any securities. For the year ended 31 March 2017, the Eminence Group held trading securities in the amount of HK\$4,505,000. It was derived from (1) purchase of trading securities of HK\$935,000 during the year; and (2) net decrease in market value in the amount of HK\$2,374,000 of the trading securities. This segment recorded a loss of HK\$14,705,000 for the year ended 31 March 2017.

(iv) Loan Financing

For the year ended 31 March 2017, this segment recorded a revenue of HK\$6,939,000.

FINANCIAL REVIEW***Revenue***

The Eminence Group revenue for the year ended 31 March 2017 was HK\$36,518,000. The decrease in revenue was largely caused by the gradually cessation of garment sourcing and export business segment.

Gross Profit/Margin

Gross profit for the year ended 31 March 2017 was HK\$36,347,000. Gross profit margin was 99.5%.

Loss before Taxation

Loss before taxation for the year ended 31 March 2017 was HK\$29,592,000. Distribution and selling expenses was HK\$13,000. It was mainly attributable to the reduction of revenue of garment sourcing and export business segment. Administrative expenses were HK\$32,911,000.

For the year ended 31 March 2017, there was a loss on changes in fair value of investment properties amounting to HK\$12,792,000. Finance costs was HK\$19,213,000, of which HK\$11,050,000 is the effective interest expense on convertible notes.

Loss Attributable to Eminence Shareholders and Loss per Eminence Share

Loss attributable to shareholders of the Eminence Group for the year ended 31 March 2017 was HK\$26,627,000. Net loss margin is increased to 72.9%. For the year ended 31 March 2017, the taxation credit was HK\$2,965,000. Basic and diluted loss per share for the year 31 March 2017 was HK\$0.02.

Liquidity and Financial Resources

As at 31 March 2017, total assets of the Eminence Group amounted to HK\$3,407,650,000. In terms of financial resources as at 31 March 2017, the Eminence Group's total bank balances and cash was HK\$513,490,000 (including bank deposits with original maturity of more than three months).

As at 31 March 2017, the capital base has been strengthened because an aggregate net proceeds of HK\$145.2 million was raised from the placing of new shares and issuing of a convertible note during the year.

As at 31 March 2017, the Eminence Group has total bank borrowings of HK\$779,700,000. The Eminence Group's gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders' equity, was approximately 0.32. As at 31 March 2017, the Eminence Group's current ratio was 3.4.

The Eminence Group financed its operation primarily with recurring cash flow generated from its operation, proceeds raised from the capital market and bank financing.

Fund Raising

During the year ended 31 March 2017, the following corporate actions had taken with the aim to strengthen the Eminence Group's financial position and prospects, hence, enhance the shareholders' value:

- (i) On 1 March 2017, Eminence entered into a subscription agreement with Goodco Development Limited as subscriber, a substantial shareholder of Eminence, to subscribe the 2017 convertible note ("**2017CB**") issued by Eminence for a principal amount of HK\$16 million. The 2017CB is a 3% per annum coupon interest for 5 years with the conversion price of HK\$0.16 per share. The transaction was approved by the independent shareholders of Eminence on 26 April 2017 and the 2017CB certificate was issued on 11 May 2017. The net proceeds is approximately HK\$15.5 million which is intended to be applied for general working capital of the Eminence Group. As at the date of this report, all the net proceeds have not been utilised yet.

- (ii) On 3 January 2017, Eminence entered into a placing agreement with a placing agent, pursuant to which Eminence has agreed to allot and issue under the specific mandate, and the placing agent has agreed to place 350,000,000 placing shares to independent investors at a placing price of HK\$0.16 per share under a specific mandate and it was approved by the independent shareholders of Eminence on 13 February 2017. The placing was completed on 27 February 2017 and the entire 350,000,000 placing shares have been successfully placed. The net proceeds is approximately HK\$55,440,000 is intended to be applied for the acquisition of the remaining units of the Fung Wah Factorial Building. As at the date of this report, all the net proceeds have not been utilised yet.
- (iii) On 13 October 2016, Eminence entered into an underwriting agreement with an underwriter and proposed to raise not less than HK\$435.6 million and not more than HK\$598.3 million by way of the rights issue by issuing not less than 4,685,496,177 rights shares and not more than 5,808,955,200 rights shares at a subscription price of HK\$0.103 per rights share on the basis of 3 rights shares for every one share held on the record date. However, the resolution was not passed by the independent shareholders on 15 December 2016 and the proposed rights issue was lapsed.
- (iv) On 8 September 2016, Eminence entered into a placing agreement with a placing agent, pursuant to which Eminence has agreed to allot and issue under the general mandate, and the placing agent has agreed to place 223,000,000 placing shares to independent investors at a placing price of HK\$0.18 per share. The placing was completed on 22 September 2016 and the entire 223,000,000 placing shares have been successfully placed. The aggregate net proceeds amounted to approximately HK\$39.7 million and intended to be applied towards appropriate acquisition and investment opportunities of the Eminence Group and the considerations thereof and general working capital of the Eminence Group.

As at the date of this report, all the net proceeds have been fully utilised according to the intended use of which (i) HK\$1.0 million for loan financing business; (ii) HK\$1.5 million for payment of operating expenses; and (iii) HK\$7.0 million for the acquisition of subsidiary; and the balance of HK\$30.2 million for the acquisition of property units of Fung Wah Factorial Building.

- (v) On 13 July 2016, Eminence entered into a subscription agreement with Able Merchant Limited as subscriber, an independent third party, to subscribe the 2016 convertible note (“**2016CB**”) issued by the amount of HK\$50 million. The 2016CB is a 2% per annum coupon interest for 3 years with the conversion price of HK\$0.225. The issuance was completed on 27 July 2016. The net proceeds is approximately HK\$50 million which is intended to be applied towards appropriate acquisition and investment opportunities of the Eminence Group and the considerations thereof and general working capital of the Eminence Group. As at the date of this report, the net proceeds have been fully utilised according to the

intended use of which (i) HK\$3.4 million for payment of operating expenses; (ii) HK\$10.0 million for loan financing business; and (iii) HK\$36.6 million for the acquisition of property units of Fung Wah Factorial Building.

New Eminence Shares Issued

As at 31 March 2017, the total number of issued ordinary shares of the Eminence Group was 1,911,832,059 shares. A total of 795,222,222 new shares were issued for the year ended 31 March 2017.

- (i) On 22 September 2016, 223,000,000 new shares were issued at the price of HK\$0.18 per share pursuant to the placing agreement entered into with the placing agent on 8 September 2016. Details of the placing agreement are set out in Eminence's announcement dated 8 September 2016.
- (ii) On 27 February 2017, 350,000,000 new shares were issued at the price of HK\$0.16 per share pursuant to the placing agreement entered into with the placing agent on 3 January 2017. Details of the placing agreement are set out in Eminence's announcement dated 3 January 2017.
- (iii) For the year ended 31 March 2017, 222,222,222 new shares were issued pursuant to the exercise of conversion rights of 2016CB.

Details of 2016CB and 2017CB***Details of 2016CB***

Particulars of the 2016CB are summarized as follows:

Holder of the 2016CB:	Able Merchant Limited
Principal amount:	HK\$50,000,000
Issue date:	27 July 2016
Maturity date:	26 July 2019
Conversion price:	HK\$0.225 (subject to adjustments)

All the conversion rights attached to 2016CB have been fully exercised by 7 November 2016.

Details of 2017CB

On 1 March 2017, Eminence entered into a subscription agreement with Goodco Development Limited, a substantial shareholder of Eminence, to subscribe the 2017CB issued by Eminence for a principal amount of HK\$16 million. The 2017CB is a 3% per annum coupon interest for 5 years with the conversion price of HK\$0.16 per share. The transaction was approved by the independent shareholders of Eminence on 26 April 2017 and the convertible note certificate was issued on 11 May 2017.

Particulars of the 2017CB summarized as follows:

Holder of the 2017CB:	Goodco Development Limited
Principal amount:	HK\$16,000,000
Issue date:	11 May 2017
Maturity date:	11 May 2022
Conversion price:	HK\$0.16 (subject to adjustments)

As at 31 March 2017, no exercise of the conversion rights was made since the issue date.

Charge on Assets

As at 31 March 2017, the Eminence Group had bank loans amounting to HK\$779,700,000 which were secured by the Eminence Group's investment properties and properties held for development for sale with an aggregate net book value of HK\$785,873,000 and HK\$597,868,000 respectively.

Material Acquisitions and Disposals

1st Acquisition of FW Building

On 13 June 2016 and 20 June 2016, Skill Master Investments Limited ("**Skill Master**"), a wholly-owned subsidiary of Eminence, as purchaser, entered into a sale and purchase agreement and a supplemental agreement with an independent third party to acquire an investment holding company known as Treasure Arts International Limited for a consideration of HK\$51,981,900. Its sole assets are having 20 property purchase agreements with the owners of 20 units of Fung Wah Factorial Building of Nos. 646, 648 and 648A Castle Peak Road, Kowloon, Hong Kong ("**FW Building**").

The acquisition shall pave way for the Eminence Group to acquire the remaining 14 property units and then to redevelop the site of the FW Building. Details of the acquisition are set out in Eminence's announcement dated 13 June 2016 and 13 July 2016. The transaction was approved by shareholders of Eminence on 1 August 2016.

2nd Acquisition of FW Building

On 3 August 2016, Skill Master as purchaser entered into a sale and purchase agreement with an independent third party to acquire an investment holding company known as Daily Leader Limited for a consideration of HK\$64,525,000. Its sole assets are having 5 property purchase agreements with the owners of 5 units of FW Building.

The acquisition shall pave way for the Eminence Group to acquire the remaining 9 property units and then to redevelop the site of the FW Building. Details of the acquisition are set out in Eminence's announcement dated 3 August 2016. The transaction was approved by the shareholders of Eminence on 7 October 2016.

Acquisition of WK Building

On 28 March 2017, Wealth Plan Development Limited, an indirect wholly-owned subsidiary of Eminence, as purchaser entered into 17 property purchase agreement with the owners of 18 units and the car parking areas of Wing Cheong Industrial Building (“**WK Building**”) of No. 121 King Lam Street, Kowloon, Hong Kong for a consideration of HK\$226,053,000. The acquisition shall pave way for the Eminence Group to acquire the remaining 6 property units and then to redevelop the site of WK Building.

Details of the acquisition are set out in Eminence’s announcement dated 29 March 2017. A special general meeting of Eminence was held on 5 June 2017 and such acquisition was approved by shareholders of Eminence. Save as disclosed above, the Eminence Group had no material acquisitions or disposals of subsidiaries or associated companies for the year ended 31 March 2017.

Exposure on Foreign Exchange Fluctuations

Most of the Eminence Group’s revenues and payments are in United States dollars, Hong Kong dollars, Singapore dollars and Renminbi. For the year ended 31 March 2017 the Eminence Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed. The directors considered the risk of exposure to the currency fluctuation to be minimal.

Contingent Liabilities

The Eminence Group did not have any significant contingent liabilities as at 31 March 2017.

Capital Expenditure and Capital Commitments***Capital Expenditure***

For the year ended 31 March 2017, the Eminence Group invested HK\$35,580,000 in the purchase of plant and equipment, and spent HK\$14,779,000 on addition of investment properties. These capital expenditures were financed from internal resources and funds from previous fund raising activities of Eminence.

Capital Commitments

As at 31 March 2017, the Eminence Group had capital commitments in respect of capital expenditure contracted for but not provided in respect of investment properties of HK\$9,842,000.

EMPLOYEES

As at 31 March 2017, the Eminence Group had 42 employees. Staff costs (including directors' emoluments) amounted to HK\$15,264,000 for the year ended 31 March 2017. The Eminence Group remunerates its employees based on their performance, experience and prevailing industry practice. The Eminence Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the state-sponsored pension scheme operated by the PRC government for the PRC employees. The Eminence Group has a share option scheme to motivate valued employees.

PROSPECTS

The Eminence Group will continue focusing its efforts in the development of its existing principal businesses: (1) property investment; (2) property development; (3) securities investment; (4) loan financing business and other potential projects with a view to providing steady returns for its shareholders and bring fruitful growth to the Eminence Group.

In Hong Kong, despite additional measures imposed by the government to cool the housing market, the impact on the property market was only short-lived. With the prevailing low interest rates and the record of high transacted land prices in the recent land auctions, sentiment in the primary property market has been holding up well, with home buyers' confidence remaining generally strong.

In addition, the Eminence Group will further extend its principal business and direct its resources to loan financing services and it is expected that such business will continue to be part of the main income stream of the Eminence Group. Meanwhile, we will also maintain astringent financial policy and a prudent cash flow management to ensure reasonable liquidity for the Eminence Group's operations as well as for its existing and future investments.

We believe that, in such a volatile economic environment, these operation strategies will enable the Eminence Group to maintain its competitiveness and mitigate risks, thereby ensuring the Eminence Group sustainable growth.

For the year ended 31 March 2016

BUSINESS REVIEW

For the year ended 31 March 2016, the Eminence Group was principally engaged in property investment, comprising the ownership and rental of investment properties, property development, garment sourcing and export businesses, securities investment and loan financing business.

Geographical Analysis of Turnover

For the year ended 31 March 2016, the turnover from garment sourcing and export businesses was mainly derived from customers in the US. Rental income from the investment properties were derived from properties located in Hong Kong, Singapore and the PRC.

(i) Property Investment

Turnover from the property investment segment was HK\$23,786,000 for the year ended 31 March 2016. The increase in turnover is primarily attributed to the addition of the investment properties, the effect of tenancy renewal, periodic rental adjustments under the clauses of the existing tenancy agreements and new tenants.

The additional investment properties are referred to Eminence's acquisitions in November 2015 in which a total of 11 properties comprises 6 residential units (3 units in Hong Kong and 3 units in Singapore), 5 industrial units were acquired by Eminence for a total consideration of HK\$240 million.

The Eminence Group has 9 blocks of factory premises and 4 blocks of dormitories with a total gross floor areas of approximately 95,379 sq.m. in Huzhou, PRC.

*(ii) Property Development**Project Matheson*

Eminence had filed an application to the Lands Tribunal in December 2015 for an order to sell all the undivided shares in a building located at Nos. 11 and 13 Matheson Street, Causeway Bay, Hong Kong aimed at to acquire the last unit ("**Remaining Unit**") of the building for redevelopment purpose. It is in the mediation process between Eminence and the owner of the Remaining Unit and the sale order may be granted in late 2016 but it depends on, amongst other things, the response time by the owner of Remaining Unit.

(iii) Garment Sourcing and Export Businesses

For the year ended 31 March 2016, this segment recorded a turnover of HK\$75,208,000 and recorded a loss of HK\$8,067,000. This is mainly due to the decrease in sales volume with the major customers, the intensive competition in terms of pricing and transferring of customer orders.

(iv) Securities Investment

The Eminence Group has maintained a securities portfolio with a strategy of diversification to reduce effects of price fluctuation of any single securities. For the year ended 31 March 2016, the Eminence Group held trading securities in the amount

of HK\$5,944,000. It was derived from: (1) the disposal of trading securities during the year which had a cost or fair value as at 31 March 2015 of HK\$99,532,000; and (2) purchase of trading securities of HK\$20,251,000 during the year; and (3) net decrease in market value in the amount of HK\$6,332,000 of the trading securities. This segment recorded a loss of HK\$11,354,000 during the year.

(v) Loan Financing

For the year ended 31 March 2016, this segment recorded a turnover of HK\$4,445,000.

FINANCIAL REVIEW

Revenue

The Eminence Group revenue for the year ended 31 March 2016 was HK\$103,439,000. The decrease in revenue was largely caused by the decrease in sales volume in garment sourcing and export businesses, which offset the increase in the rental income of the property investment segment.

Gross Profit/Margin

Gross profit for the year ended 31 March 2016 was HK\$36,438,000. Gross profit margin for this year was 35.2%.

Loss before Taxation

Loss before taxation for the year ended 31 March 2016 was HK\$61,238,000. It was mainly due to loss on changes in fair value of investment properties, impairment losses on properties held for development for sale and fair value loss on investment held for trading, bonds and equity linked notes.

Selling and distribution costs was HK\$1,762,000. It was mainly attributable to the reduction of turnover of garment sourcing and exporting businesses.

Administrative expenses were HK\$30,429,000.

For the year ended 31 March 2016, there was a loss on changes in fair value of investment properties of HK\$33,399,000.

Finance costs was HK\$15,099,000, of which HK\$8,290,000 is the effective interest expense on convertible notes.

(Loss) Profit Attributable to Eminence Shareholders and (Loss) earnings per Eminence Share

Loss attributable to shareholders of the Eminence Group for the year ended 31 March 2016 was HK\$69,268,000. Net loss margin is increased from 67.0% as compared to net profit margin last year of 16.1%. Taxation charges was HK\$8,030,000 in this year.

Basic loss per share for the year 31 March 2016 were HK\$0.14.

Liquidity and Financial Resources

As at 31 March 2016, total assets of the Eminence Group amounted to HK\$2,574,086,000. In terms of financial resources as at 31 March 2016, the Eminence Group's total bank balances and cash was HK\$465,279,000, of which, approximately RMB50 million (equivalent to approximately HK\$60 million) was tied up in the PRC as investment capital.

As at 31 March 2016, the capital base has been strengthened because of an aggregate net proceeds of HK\$831,000,000 was raised from (1) the completion of issuing the rights shares in April 2015 and November 2015 for a total of HK\$326 million and HK\$505 million respectively; and (2) the completion of issuing a convertible note in June 2015 ("**2015 Convertible Note**") for a principal amount of HK\$86 million.

As at 31 March 2016, the Eminence Group has total bank borrowings of HK\$100,087,000. The Eminence Group's gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders' equity was approximately 0.04. As at 31 March 2016, the Eminence Group's current ratio was 9.1.

The Eminence Group financed its operation primarily with recurring cash flow generated from its operation, proceeds raised from the capital market and bank financing.

Capital Reorganisation

On 6 August 2015, Eminence announced the Eminence Directors proposed to effect the capital reorganisation (the "**Capital Reorganisation**") involving:

- (a) share consolidation: that every ten issued and unissued then existing shares of HK\$0.01 each be consolidated into one consolidated share of par value HK\$0.10 each (the "**Consolidated Share**");
- (b) capital reduction: that (i) the issued share capital of Eminence be reduced by the cancellation of the paid-up capital of Eminence to the extent of HK\$0.09 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share be reduced from HK\$0.10 to HK\$0.01; (ii) the authorised share capital of Eminence be reduced by reducing the par value of all Consolidated Shares in the authorised share capital of Eminence from HK\$0.10 each to HK\$0.01 each, resulting in the reduction of the authorised share capital of

Eminence from HK\$200,000,000 divided into 2,000,000,000 Consolidated Shares to HK\$20,000,000 divided into 2,000,000,000 ordinary shares of par value HK\$0.01 each (the “**Adjusted Shares**”); and (iii) the credit arising from the reduction of the issued share capital of Eminence be transferred to Eminence’s contributed surplus account; and

- (c) authorised capital increase: that the authorised share capital of Eminence be increased from HK\$20,000,000 divided into 2,000,000,000 Adjusted Shares to HK\$200,000,000 divided into 20,000,000,000 Adjusted Shares.

Eminence Shareholders’ approval for the Capital Reorganisation has been obtained at the special general meeting of Eminence held on 7 October 2015 and the Capital Reorganisation became effective on 8 October 2015. Further details of the Capital Reorganisation are set out in Eminence’s circular dated 14 September 2015.

Fund Raising

- (i) On 12 June 2015, Eminence completed the issue of 2015 Convertible Note in an aggregate principal amount of HK\$86,000,000 to Madian Star Limited, an independent third party. The net proceeds of HK\$86,000,000 raised from the issue of the 2015 Convertible Note is intended to be applied for the general working capital of the Eminence Group.

For the net proceeds, it has been fully utilized for (1) HK\$25.7 million for the acquisition of the ground floor of No. 15 Matheson Street, Causeway Bay, Hong Kong; (2) HK\$55.9 million for the securities investment; and (3) HK\$4.3 million for the settlement of trade payable.

- (ii) On 6 August 2015, the Eminence Directors proposed, upon completion of the Capital Reorganisation, to raise a gross proceeds of HK\$510,000,000 by way of the rights issue of 1,063,437,940 rights shares at a subscription price of HK\$0.48 per rights share on the basis of twenty rights shares for every one Adjusted Share held on the record date (the “**Rights Issue**”).

Independent shareholders’ approval for the Rights Issue has been obtained at the special general meeting of Eminence held on 7 October 2015 and the dealings of fully paid rights shares was commenced on 9 November 2015. Further details of the Rights Issue are set out in Eminence’s prospectus dated 14 October 2015.

The net proceeds of the Rights Issue was approximately HK\$505 million of which (1) HK\$240 million were intended to purchase the sale shares and sale loan of a properties group; (2) HK\$139 million for the repayment of bank loan; (3) HK\$30million to be earmarked as deposit for the acquisition of the remaining unit at ground floor of No. 11 Matheson Street, Causeway Bay, Hong Kong or for

potential investment; (4) HK\$70 million to be applied for the segments of securities investment and loan financing; and (5) the remaining HK\$26 million as general corporate purposes.

As at the date of this report, all the net proceeds raised from the Rights Issue have been fully utilised except the amount of HK\$30 million earmarked for the acquisition of the remaining unit in Matheson Street has not been utilised. The actual use of the net proceeds is utilized according to the intended use, of which (1) HK\$240 million for the purchase of the sale shares and the sale loan of a properties group; (2) HK\$139 million for the repayment of bank loan; (3) HK\$24.5 million for the securities investment; HK\$45.5 million for loan financing business; (4) HK\$10.3 million for settlement of trade payable; HK\$2 million for daily operating expenses and HK\$13.7 million for repayment of bank loans and finance cost.

As at 31 March 2016, the total number of issued ordinary shares of Eminence was 1,116,609,837 shares (31 March 2015: 25,319,951 shares).

Details of 2014 Convertible Note

Particulars of the 2014 Convertible Note are summarized as follows:

Holder of the Convertible Note:	Goodco Development Limited
Outstanding principal amount as at the date of this report:	HK\$20,000,000
Issue date:	27 March 2014
Maturity date:	27 March 2019
Conversion price as at the date of this report:	HK\$22.72 (subject to adjustment)

Goodco Development Limited is interested in 363,781,194 shares of Eminence, representing approximately 32.58% of the issued share capital of Eminence as at the date of this report. 880,281 shares shall be issued by Eminence to Goodco Development Limited upon conversion of the 2014 Convertible Note in the aggregate principal amount of HK\$20,000,000 in full at the prevailing conversion price of HK\$22.72 per share.

Details of 2015 Convertible Note

On 12 June 2015, Eminence completed the issue of 2015 Convertible Note in an aggregate principal amount of HK\$86,000,000 to Madian Star Limited, an independent third party, at an initial conversion price of HK\$0.85 per share. Pursuant to the adjustment provisions in the terms and conditions of the 2015 Convertible Note, (i) adjustment has been made to the conversion price of the 2015 Convertible Note from HK\$0.85 per share to HK\$1.81 per share with effect from 14 October 2015 as a result of the Capital Reorganisation and the Rights Issue; (ii) further adjustment was made to the conversion price of the 2015 Convertible Note from HK\$1.81 per share to HK\$0.33 per share with

effect from 7 January 2016 as a result of the entering into the deed of amendment to revise the conversion price and the same was approved by Eminence Shareholders on 7 January 2016.

Particulars of the 2015 Convertible Note are summarized as follows:

Holder of the Convertible Note:	Madian Star Limited
Outstanding principal amount as at the date of this report:	HK\$86,000,000
Issue date:	12 June 2015
Maturity date:	12 June 2017
Conversion price as at the date of this report:	HK\$0.33 (subject to adjustment)

Charge on Assets

As at 31 March 2016, the Eminence Group had bank loans amounting to HK\$100,087,000 which were secured by the investment properties of the Eminence Group with an aggregate net book value of HK\$208,196,000.

Material Acquisitions and Disposals

On 6 August 2015, Eminence entered into 4 sets of sale and purchase agreements in relation to the purchase of the sale shares and sale loans of the properties group for a total consideration of HK\$240 million from a connected party.

The properties group has 11 properties comprises 6 residential units (3 units in Hong Kong and 3 units in Singapore) and 5 industrial units. These transactions were approved by independent Eminence Shareholders on 7 October 2015 and the completion date of these transactions was 11 November 2015.

Save as disclosed above, the Eminence Group had no material acquisitions or disposals of subsidiaries or associated companies for the year ended 31 March 2016.

Exposure on Foreign Exchange Fluctuations

Most of the Eminence Group's revenues and payments are in US dollars, Hong Kong dollars, Singapore dollars and Renminbi. During the year, the Eminence Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed. The directors considered the risk of exposure to the currency fluctuation to be minimal.

Contingent Liabilities

The Eminence Group did not have any significant contingent liabilities as at 31 March 2016.

Capital Expenditure and Capital Commitments***Capital Expenditure***

For the year ended 31 March 2016, the Eminence Group invested HK\$90,000 in the purchase of property, plant and equipment, and spent HK\$214,936,000 on addition of investment properties. These capital expenditures were financed from internal resources and funds from previous fund raising activities of Eminence.

Capital Commitments

As at 31 March 2016, the Eminence Group had capital commitments in respect of capital expenditure contracted for but not provided in respect of investment properties of HK\$5,241,000.

EMPLOYEES

As at 31 March 2016, the Eminence Group had 40 employees. Staff costs (including directors' emoluments) amounted to HK\$16,501,000 for the year under review. The Eminence Group remunerates its employees based on their performance, experience and prevailing industry practice.

The Eminence Group has set out the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the state-sponsored pension scheme operated by the PRC government for the PRC employees. The Eminence Group has a share option scheme to motivate valued employees.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Skill Master Investment Limited as purchaser, a wholly-owned subsidiary of Eminence, and an independent third party as vendor, entered into a sale and purchase agreement and a supplemental agreement on 13 June 2016 and 20 June 2016 respectively. Pursuant to the agreements, the purchaser has conditionally agreed to acquire and the seller has conditionally agreed to sell the entire issued share capital and shareholder's loan of Treasure Arts International Group Limited ("TAI") at an aggregate consideration of HK\$51,981,900. Details of this transaction is published on Eminence's announcement dated 13 June 2016. The completion of this transaction is subject to Eminence Shareholders' approval at the special general meeting of Eminence which is to be held in August 2016; and upon completion TAI will become a subsidiary of Eminence. TAI has entered into 20 provisional sale and purchase agreements with the property owners of 20 units of Fung Wah Factorial Building, Nos. 646, 648 & 648A Castle Peak Road, Kowloon, Hong Kong in early June 2016.

PROSPECTS

The China economy had been grown at a slower rate than the government target of 7% in 2015, the continuous sliding of the Chinese and Hong Kong stock markets in the past months, the financial uncertainties about the pace of increase in interest rates in the United States and the instabilities in the European economy, which are expected to cloud the global economic outlook. As Hong Kong's economic performance hinges on global economic and financial conditions, these uncertain factors may affect property market sentiment in the months ahead. However, we expect the market to remain buoyant with more projects coming onto the market at competitive pricing levels and strong end user demand driving sales.

The Eminence Group will continue to closely monitor market changes, continue to adhere to its principle of steady development so as to increase the asset turnover rate. Meanwhile, the Eminence Group strives to improve the debt structure, adjust the project's management system in respect of management models and construction cost in order to enhance the profitability of the Eminence Group.

The turnover of the garment and sourcing export businesses continues decreasing due to the transferring of customer orders, shrinking profit margins and declining sales, the Eminence Directors are now further evaluating this business segment and shall take appropriate action.

For the Project Matheson, it is now in the mediation process with the owner of the remaining unit in the Land (Compulsory Sale for Redevelopment) Ordinance; and the sale order may be granted by the court in about September 2016.

For the securities investment business, Eminence reviews the performance of its existing investment portfolio and evaluating the investment potentials of other investment opportunities available to Eminence. Eminence shall make suitable investment decisions which broadens and diversifies its investment portfolio with a view of realizing and/or optimizing the expected return and minimizing the risks.

Looking forward to 2016/2017, the Eminence Group shall emphasize the business segments of property development and securities investment; and to explore further quality investment opportunities to enhance its shareholders wealth.

In this Appendix, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of directors of the Company
“Company”	Easyknit International Holdings Limited (永義國際集團有限公司), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 1218)
“Group”	the Company and its subsidiaries

1. RESPONSIBILITY STATEMENT

This circular, for which the Easyknit 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 Easyknit. The Easyknit 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. DISCLOSURE OF INTERESTS

(a) Easyknit Directors’ interest in Shares

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and The Stock Exchange of Hong Kong Limited (“**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 recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities (“**Listing Rules**”) on the Stock Exchange, to be notified to the Company and the Stock Exchange, were as follows:

(a) Interests in the Company (long position)

Name of Director	Capacity	Number of ordinary shares held	Aggregate number of ordinary shares held	Approximate percentage of interest
Ms. Lui Yuk Chu	Beneficiary of a trust (<i>note i</i>)	29,179,480	46,609,144	51.04%
	Interest of controlled corporation (<i>note ii</i>)	17,429,664		
Ms. Koon Ho Yan Candy	Beneficiary of a trust (<i>note iii</i>)	29,179,840	29,179,480	31.95%

Notes:

- (i) 29,179,480 shares are registered in the name of and beneficially owned by Magical Profits Limited, which is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by The Winterbotham Trust Company Limited (“**Winterbotham Trust**”) as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).
- (ii) 17,429,664 shares are beneficially owned by Sea Rejoice Limited which is wholly-owned by Ms. Lui Yuk Chu.
- (iii) Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and an executive director of the Company, is deemed to be interested in the shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust.

(b) Interests in associated corporations (long positions)

Eminence Enterprise Limited

Name of Director	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate percentage of interest
Ms. Lui Yuk Chu	Beneficiary of a trust	739,330,692	311,480,281	1,050,810,973	35.43%

Note: In the 739,330,692 shares, 93,549,498 shares and 645,781,194 shares of Eminence are registered in the name of and beneficially owned by Landmark Profits Limited and Goodco Development Limited respectively, both companies are the wholly-owned subsidiaries of the Company. For the 311,480,281 underlying shares, of which 288,880,281 are the underlying shares of convertible notes issued by the Company to the Goodco Development Limited; and the remaining 22,600,000 underlying shares are the share optioned granted to Ms. Lui Yuk Chu and Mr. Koon Wing Yee (the spouse of Ms. Lui Yuk Chu) on 14 October 2016. Sea Rejoice Limited is interested in approximately 19.09% of the issued share capital of the Company and it is wholly-owned by Ms. Lui Yuk Chu. Magical Profits Limited is interested in approximately 31.95% of the issued share capital of the Company and is wholly-owned by

Accumulate More Profits Limited which in turn is wholly-owned by Winterbotham Trust as the trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).

Save as disclosed above, as at 30 September 2018, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at the Latest Practicable Date, the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, and none of the directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or other body corporate nor had exercised any such right.

(b) Substantial Shareholders' interest

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, the persons (other than the directors or the chief executives of the Company) who had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Notes	Capacity	Number of ordinary shares held (long position)	Approximate percentage of interest
Lui Yuk Chu	<i>i, ii & iii</i>	Beneficial of a trust	46,609,144	51.04%
Koon Ho Yan Candy	<i>i</i>	Beneficial of a trust	29,179,480	31.95%

Name of Shareholder	Notes	Capacity	Number of ordinary shares held (long position)	Approximate percentage of interest
Koon Wing Yee	<i>i</i>	Interest of spouse	46,609,144	51.04%
Sea Rejoice Limited	<i>i & ii</i>	Beneficial owner	17,429,664	19.09%
Magical Profits Limited	<i>i & ii</i>	Beneficial owner	29,179,480	31.95%
Accumulate More Profits Limited	<i>i</i>	Interest of controlled corporation	29,179,480	31.95%
Winterbotham Trust	<i>i & iii</i>	Trustee	29,179,480	31.95%
Winterbotham Holdings Limited	<i>iii</i>	Interest of controlled corporation	29,179,480	31.95%
Markson International Holdings Limited	<i>iii</i>	Interest of controlled corporation	29,179,480	31.95%
Christopher Geoffrey Douglas Hooper	<i>iii</i>	Interest of controlled corporation	29,179,480	31.95%
Ivan Geoffrey Douglas Hooper	<i>iii</i>	Interest of controlled corporation	29,179,480	31.95%

Notes:

- (i) Out of 46,609,144 shares, 17,429,664 shares are beneficially owned by Sea Rejoice Limited which is wholly-owned by Ms. Lui Yuk Chu. The remaining 29,179,480 shares are registered in the name of and beneficially owned by Magical Profits Limited which is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Winterbotham Trust as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu, an executive director, and her family members other than her spouse). Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and an executive director, is deemed to be interested in the 29,179,480 shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust. Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 46,609,144 shares by virtue of the SFO.

- (ii) Ms. Lui Yuk Chu, being an executive director, is also a director of Sea Rejoice Limited and Magical Profits Limited.
- (iii) Winterbotham Trust is the trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse). Winterbotham Trust is owned as to 75% by Winterbotham Holdings Limited (“**Winterbotham Holdings**”) and 25% by Markson International Holdings Limited (“**Markson**”) respectively. Winterbotham Holdings is owned as to approximately 99.99% by Mr. Christopher Geoffrey Douglas Hooper. And Markson is owned as to 60% by Mr. Christopher Geoffrey Douglas Hooper and 40% by Mr. Ivan Geoffrey Douglas Hooper respectively.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

3. LITIGATION

As at the Latest Practicable Date, neither Easyknit nor any of its subsidiaries were engaged in any litigation or claims of material importance and, so far as the Easyknit Directors are aware, there was no litigation or claim of material importance known to the Easyknit Directors to be pending or threatened by or against Easyknit or any of its subsidiaries.

4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Easyknit Directors had any existing and proposed service contract with any members of the Group other than contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

There will not be variation in the remuneration payable and benefits in kind receivable by any Easyknit Director in consequence of Completion.

5. EASYKNIT DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Easyknit Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

6. EASYKNIT DIRECTORS’ INTEREST IN CONTRACTS AND ASSETS

Save as disclosed above, as at the Latest Practicable Date, none of the Easyknit Directors was materially interested in any contract or arrangement, which was subsisting and was significant in relation to the business of the Group.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Easyknit Directors had any direct or indirect interest in any assets which have been, since 31 March 2018 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired by or disposed of or leased to any member of the Group, or are proposed to be acquired by or disposed of or leased to any member of the Group.

7. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Group, were entered into by the Group within two (2) years immediately preceding the date of this circular which are or may be material:

- (a) 4 executed term sheets dated 27 February 2017, 18 May 2017, 8 August 2017 and 31 October 2017 for the purchase of the ELNs of Industrial and Commercial Bank of China Limited (stock code: 1398) for a total consideration of HK\$231,000,000;
- (b) 4 executed term sheets dated 20 February 2017, 4 July 2017, 16 August 2017 and 1 September 2017 for the purchase of the ELNs of Hong Kong Exchanges and Clearing Limited (stock code: 388) for a total consideration of HK\$168,000,000;
- (c) 3 executed term sheets dated 28 March 2017, 2 August 2017 and 4 December 2017 for the purchase of the ELNs of China Construction Bank Corporation (stock code: 939) for a consideration of HK\$130,000,000;
- (d) 1 executed term sheet dated 5 May 2017 for the purchase of ELN of Agricultural Bank of China Limited (stock code: 1288) for a consideration of HK\$35,000,000;
- (e) 3 executed term sheets dated 30 June 2017, 11 October 2017 and 8 January 2018 for the purchase of the ELN of HSBC Holdings plc (stock code: 0005) for a consideration of HK\$150,000,000;
- (f) an agreement dated 13 April 2017 entered into between Good Year Ventures Limited and the seller for the sale and purchase of the sale share and sale loan of Global Chance Holdings Limited;
- (g) an agreement dated 5 July 2017 entered into between Global Chance Holdings Limited and the seller for the sale and purchase of the remaining unit of Nos. 93, 93A, 95 and 95A Waterloo Road, Kowloon, Hong Kong;
- (h) a loan participation agreement dated 11 August 2017 entered into between Charming Flash Limited (“**Charming Flash**”), a wholly-owned subsidiary of Easyknit, as participant, and Golden Glow Limited (“**Golden Glow**”), as lender, to acquire a participant interest in the amount of US\$2,000,000 in the loan;

- (i) a loan agreement dated 15 September 2017 entered into between Main Profit Investment Limited (“**Main Profit**”), a wholly-owned subsidiary of Easyknit, as lender, and Jimu Group, an Independent Third Party, to lend up to HK\$130,000,000 for a term of 6 months at the interest rate of 15.5% per annum. The loan is secured by a share charge and a personal guarantee;
- (j) a deed of settlement dated 22 September 2017 entered into between Main Profit and Jimu Group to settle the loan repayment amount of HK\$130,000,000 and other relevant expenses incurred in the transaction;
- (k) a supplemental agreement dated 16 November 2017 entered into between Great Sail as lender and FG as the borrower to extend due date of the loan agreement to 14 February 2018;
- (l) 1 executed term sheet dated 18 January 2018 for the purchase of the ELN of Bank of China Limited (stock code: 3988) for a consideration of HK\$30,000,000;
- (m) a second supplemental agreement dated 14 February 2018 entered into between Great Sail Global Limited as the lender, Fortunate Gravity Hongkong Limited as the borrower, the guarantor and the chargors under the share charges, pursuant to which the borrower agreed to repay the loan in the amount of HK\$60,000,000 and the lender agreed to extend the repayment date of the remaining outstanding amount of the loan of HK\$40,000,000 to 14 August 2018;
- (n) 1 executed term sheet dated 16 March 2018 for the purchase of the ELN of Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318) for a consideration of HK\$50,000,000;
- (o) the sale and purchase agreement dated 16 March 2018 entered into between Delano Hills Limited, a wholly-owned subsidiary of Easyknit, Ms. Park Gi Youn, Giant Astute Limited and Easyknit in relation to the sale and purchase of the entire issued share capital in and the shareholders’ loans of Gold Asset Investment Limited and Wise Think Global Limited;
- (p) the placing agreement dated 4 May 2018 entered into between Easyknit and Get Nice Securities Limited, as the placing agent, to place 11,900,000 shares of Easyknit at a placing price of HK\$4.60 per placing share;
- (q) a junior notes subscription agreement dated 31 October 2018 entered by Charming Flash with Golden Glow Limited, as issuer, to subscribe the junior notes issued by the issuer in the amount of US\$4,500,000; and
- (r) the Swap Agreements.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who are named in this circular or have given their opinions or advice which are contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
Vigers	Independent Professional Valuer
Colliers	Independent Professional Valuer

As at the Latest Practicable Date, the above experts did not have:

- (a) any direct or indirect interest in any assets which have been, since 31 March 2018 (being the date to which the latest published audited consolidated accounts of the Group were made up), 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; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The above experts have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their letters and the references to their names in the form and context in which they appear.

9. GENERAL

- (a) The Company secretary of Easyknit is Mr. Lee Po Wing, a practising solicitor since 1994.
- (b) The registered office of Easyknit is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of Easyknit in Hong Kong is at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of Easyknit is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular and the enclosed white proxy form prevails over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at Easyknit's principal place of business in Hong Kong at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of Easyknit;
- (b) the annual reports of Easyknit for each of the three years ended 31 March 2016, 2017 and 2018 and its interim report for the six months ended 30 September 2018;
- (c) the accountants' report on the Easyknit Sale Company issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix V to this circular;
- (d) the accountants' report on the Eminence Sale Company issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix VI to this circular;
- (e) the valuation report of Easy Tower prepared by Colliers, the text of which is set out in Appendix II to this circular;
- (f) the valuation report of the Inverness Road Property prepared by Vigers, the text of which is set out in Appendix I to this circular;
- (g) the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Post-Swap Easyknit Group as set out in Appendix VII to this circular;
- (h) the letters of consent referred to in the paragraph headed "Experts and Consents" in this Appendix;
- (i) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;
- (j) a copy of each circular issued by Easyknit since 31 March 2018 pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules including this circular.

In this Appendix, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of directors of the Company
“Company”	Eminence Enterprise Limited (高山企業有限公司), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 616)
“Group”	the Company and its subsidiaries

1. RESPONSIBILITY STATEMENT

This circular, for which the Eminence Directors collectively and individually accept full responsibility insofar as it contains information about the Eminence Group, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Eminence. The Eminence Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular insofar as it contains information about the Eminence Group 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 misleading.

2. DISCLOSURE OF INTERESTS

(a) Eminence Directors’ interests in Eminence Shares

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2018, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in ordinary shares and underlying shares of the Company

Name of Director	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate percentage of the total issued shares of the Company
Lui Yuk Chu	Beneficiary of a trust and interest of controlled corporation (<i>Note i</i>)	739,330,692	288,880,281	1,028,210,973	
	Interest of spouse (<i>Note ii</i>)	–	11,300,000	11,300,000	
	Beneficial owner (<i>Note iii</i>)	–	11,300,000	11,300,000	
				<hr/>	
				1,050,810,973	35.43%
Kwong Jimmy Cheung Tim	Beneficial owner (<i>Note iv</i>)	–	11,300,000	11,300,000	0.38%

Notes:

- (i) In the 739,330,692 shares, 93,549,498 shares and 645,781,194 shares are registered in the name of and beneficially owned by Landmark Profits Limited (“**Landmark Profits**”) and Goodco Development Limited (“**Goodco**”) respectively, both are the wholly-owned subsidiaries of Easyknit International Holdings Limited (“**Easyknit**”). Sea Rejoice Limited is interested in approximately 19.09% of the total number of issued shares of Easyknit and it is wholly-owned by Ms. Lui Yuk Chu. Magical Profits Limited (“**Magical Profits**”) is interested in approximately 31.95% of the total number of issued shares of Easyknit. Magical Profits is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by The Winterbotham Trust Company Limited (“**Winterbotham Trust**”) as the trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse). For the 288,880,281 underlying shares comprise (a) 880,281 convertible shares (subject to adjustment) to be issued upon the full conversion of the 2014 convertible note (“**2014CN**”), (b) 100,000,000 convertible shares (subject to adjustment) to be issued upon the full conversion of the 2017 convertible note 1 (“**2017CN1**”), and (c) 188,000,000 convertible shares (subject to adjustment) to be issued upon the full conversion of the 2017 convertible note 2 (“**2017CN2**”), which are held by Goodco.
- (ii) These underlying shares are share options granted by the Company under the Share Option Scheme on 14 October 2016 to Mr. Koon Wing Yee, the spouse of Ms. Lui Yuk Chu. By virtue of SFO, Ms. Lui Yuk Chu is deemed to be interested in these 11,300,000 underlying shares held by Mr. Koon Wing Yee.
- (iii) These underlying shares are share options granted by the Company under the Share Option Scheme on 14 October 2016 to Ms. Lui Yuk Chu.
- (iv) These underlying shares are share options granted by the Company under the Share Option Scheme on 14 October 2016 to Mr. Kwong Jimmy Cheung Tim.

Save as disclosed above, as at 30 September 2018, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have 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 recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Eminence Shareholders' Interests

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

Long positions in ordinary shares and underlying shares of the Company

Name of substantial shareholder	Notes	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate percentage of the total issued shares of the Company
Koon Wing Yee	<i>i & ii</i>	Interest of spouse	739,330,692	300,180,281	1,039,510,973	
	<i>iii</i>	Beneficial owner	–	11,300,000	11,300,000	
					1,050,810,973	35.43%
Goodco	<i>i & ii</i>	Beneficial owner	645,781,194	288,880,281	934,661,475	31.51%
Easyknit	<i>i & ii</i>	Interest of controlled corporation	739,330,692	288,880,281	1,028,210,973	34.67%
Magical Profits	<i>i & ii</i>	Interest of controlled corporation	739,330,692	288,880,281	1,028,210,973	34.67%
Accumulate More Profits Limited	<i>i</i>	Interest of controlled corporation	739,330,692	288,880,281	1,028,210,973	34.67%
Winterbotham Trust	<i>i & iv</i>	Trustee	739,330,692	288,880,281	1,028,210,973	34.67%
Winterbotham Holdings Limited	<i>iv</i>	Interest of controlled corporation	739,330,692	288,880,281	1,028,210,973	34.67%
Markson International Holdings Limited	<i>iv</i>	Interest of controlled corporation	739,330,692	288,880,281	1,028,210,973	34.67%
Christopher Geoffrey Douglas Hooper	<i>iv</i>	Interest of controlled corporation	739,330,692	288,880,281	1,028,210,973	34.67%
Ivan Geoffrey Douglas Hooper	<i>iv</i>	Interest of controlled corporation	739,330,692	288,880,281	1,028,210,973	34.67%
Madian Star Limited	<i>v</i>	Beneficial owner	–	537,500,000	537,500,000	18.12%
Hu Rong		Beneficial owner	446,950,000	–	446,950,000	15.07%

Notes:

- (i) In the 739,330,692 shares, 93,549,498 shares and 645,781,194 shares are registered in the name of and beneficially owned by Landmark Profits and Goodco respectively, both are the wholly-owned subsidiaries of Easyknit. Sea Rejoice Limited is interested in approximately 21.95% of the total number of issued shares of Easyknit and it is wholly-owned by Ms. Lui Yuk Chu. Magical Profits is interested in approximately 31.95% of the total number of issued shares of Easyknit. Magical Profits is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Winterbotham Trust as the trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse). For the 288,880,281 underlying shares comprise (a) 880,281 convertible shares (subject to adjustment) to be issued upon the full

conversion of the 2014CN, (b) 100,000,000 convertible shares (subject to adjustment) to be issued upon the full conversion of the 2017CN1, and (c) 188,000,000 convertible shares (subject to adjustment) to be issued upon the full conversion of the 2017CN2, which are held by Goodco.

- (ii) Ms. Lui Yuk Chu, an executive Director, is also a director of Landmark Profits, Goodco, Easyknit, Sea Rejoice Limited and Magical Profits.
- (iii) These underlying shares are share options granted by the Company under the Share Option Scheme on 14 October 2016 to Mr. Koon Wing Yee, the spouse of Ms. Lui Yuk Chu.
- (iv) Winterbotham Trust is trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse). Winterbotham Trust is owned as to 75% by Winterbotham Holdings Limited (“**Winterbotham Holdings**”) and 25% by Markson International Holdings Limited (“**Markson**”) respectively. Winterbotham Holdings is owned as to approximately 99.99% by Mr. Christopher Geoffrey Douglas Hooper. Markson is owned as to 60% by Mr. Christopher Geoffrey Douglas Hooper and 40% by Mr. Ivan Geoffrey Douglas Hooper respectively.
- (v) The noteholder of a convertible note issued by the Company to Madian Star Limited on 12 June 2015 in the aggregate principal amount of HK\$86,000,000 for a term of 2 years and conferring rights to convert shares on the basis of the then conversion price of HK\$0.33 per share. The terms of this convertible note are revised for a term of 7 years at a conversion price of HK\$0.16 per share with effect from 11 May 2017.

Save as disclosed above, as at 30 September 2018, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

3. LITIGATION

As at the Latest Practicable Date, neither Eminence nor any of its subsidiaries was engaged in any litigation or claims of material importance and, so far as the Eminence Directors are aware, there was no litigation or claim of material importance pending or threatened by or against Eminence or any of its subsidiaries.

4. EMINENCE DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Eminence Directors had any existing or proposed service contract with any members of the Eminence Group other than contracts expiring or determinable by the relevant member of the Eminence Group within one year without payment of compensation (other than statutory compensation).

5. EMINENCE DIRECTORS’ INTERESTS IN COMPETING BUSINESS

Save as disclosed in this circular, at the Latest Practicable Date, none of the Eminence Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Eminence Group as required to be disclosed pursuant to the Listing Rules.

6. EMINENCE DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

- A. Save as disclosed in this circular, none of the Eminence Directors are interested in any contract or arrangement entered into by Eminence or any of its subsidiaries subsisting at the Latest Practicable Date and which is significant in relation to the business of the Eminence Group.
- B. Save as disclosed in this circular, at the Latest Practicable Date, none of the Eminence Directors had any direct or indirect interest in any assets which have been, since 31 March 2018, the date to which the latest published audited consolidated financial statements of the Eminence Group were made up, acquired or disposed of by, or leased to Eminence or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to Eminence or any of its subsidiaries.

7. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Eminence Group, were entered into by the Eminence Group within two years last preceding the date of this circular which are or may be material:

- (a) the subscription agreement dated 1 March 2017 entered into between Eminence and Goodco Development Limited, a wholly-owned subsidiary of Easyknit, relating to the issuing of a 3% per annum coupon rate 2017 convertible note for a principal amount of HK\$16,000,000 conferring the rights to convert the Eminence Shares on the basis of the conversion price of HK\$0.16 per Eminence Share till 2022;
- (b) the second deed of amendments dated 1 March 2017 relating to the revision of the terms of a 2015 convertible note by revising the conversion price to HK\$0.16 and extending the exercise period to 2022;
- (c) the placing agreement dated 3 July 2017 entered into between Eminence and Get Nice Securities Limited, as the placing agent, to place 325,000,000 new Eminence Shares of Eminence at a placing price of HK\$0.08 per Eminence Share;
- (d) the subscription agreement dated 7 August 2017 entered into between Eminence and Goodco Development Limited, a wholly-owned subsidiary of Easyknit, relating to the issuing of a 3% per annum coupon rate convertible note for a principal amount of HK\$28,200,000 conferring the rights to convert the Eminence Shares on the basis of the conversion price of HK\$0.06 per Eminence Share till 2020;
- (e) the sale and purchase agreement dated 14 August 2017 entered into between Treasure Arts International Eminence Group Limited, an indirect wholly-owned subsidiary of Eminence, and a seller relating to the acquisition of workshop A, 1/ F of Fung Wah Factorial Building, which is situated at No. 646, 648 & 648A Castle Peak Road, Kowloon, Hong Kong, for a consideration of HK\$11,500,000;

- (f) the provisional sale and purchase agreement dated 15 August 2017 entered into between Treasure Arts International Eminence Group Limited as purchaser and a seller, relating to the acquisition of workshop D, ground floor of Fung Wah Factorial Building for a consideration of HK\$69,800,000;
- (g) the sale and purchase agreement dated 20 November 2017 entered into between Treasure Arts International Eminence Group Limited and certain sellers relating to the acquisition of workshop space A1, ground floor of Fung Wah Factorial Building for a consideration of HK\$53,000,000;
- (h) the placing agreement dated 30 November 2017 entered into between Eminence and Get Nice Securities Limited, as the placing agent, to place 447,000,000 Eminence Shares of Eminence at a placing price of HK\$0.055 per Eminence Share;
- (i) the provisional sale and purchase agreement dated 11 January 2018 entered into between Lion Capital Investment Limited, a wholly-owned subsidiary of Eminence and Brilliant Circle Holdings International Limited in respect of the acquisition by Lion Capital Investment Limited of units at Capital Centre, No. 151 Gloucester Road, Hong Kong being the Properties;
- (j) a convertible notes subscription agreement dated 30 August 2018 entered into between Cherry Sky Investments Limited, a wholly-owned subsidiary of Eminence and Plutux Labs Limited, to subscribe up to US\$2,000,000 zero coupon convertible notes for a term of 36 months; and
- (k) the Swap Agreements.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who are named in this circular or have given opinions or advice contained in this circular:

Name	Qualification
Vigers	Independent Professional Valuer
Colliers	Independent Professional Valuer
Deloitte Touche Tohmatsu	Certified Public Accountants
Red Sun Capital Limited	Independent Financial Adviser

As at the Latest Practicable Date, the above experts did not have:

- (a) any direct or indirect interest in any assets which have been, since 31 March 2018 (being the date to which the latest published audited accounts of Eminence were made up), acquired or disposed of by or leased to any member of the Eminence Group, or are proposed to be acquired or disposed of by or leased to any member of the Eminence Group; and

- (b) any shareholding in any member of the Eminence Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Eminence Group.

The above experts have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their letters and the references to their names in the form and context in which they appear.

9. GENERAL

- A. The Company secretary of Eminence is Mr. Lee Po Wing, a practising solicitor since 1994.
- B. The registered office of Eminence is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of Eminence in Hong Kong is at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.
- C. The Hong Kong branch share registrar and transfer office of Eminence is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- D. The English texts of this circular and the enclosed blue proxy form prevail over the Chinese texts.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at Eminence's principal place of business in Hong Kong at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong from the date of this circular up to and including the date of the Eminence SGM:

- (a) the memorandum of association and bye-laws of Eminence;
- (b) the annual reports of Eminence for each of the three years ended 31 March 2016, 2017 and 2018 and its interim report for the six months ended 30 September, 2018;
- (c) the accountants' report on the Easyknit Sale Company issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix V to this circular;
- (d) the accountants' report on the Eminence Sale Company issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix VI to this circular;
- (e) the valuation report of Easy Tower prepared by Colliers, the text of which is set out in Appendix II to this circular;

- (f) the valuation report of the Inverness Road Property prepared by Vigers, the text of which is set out in Appendix I to this circular;
- (g) the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Post-Swap Eminence Group as set out in Appendix VIII to this circular;
- (h) the letters of consent referred to in the paragraph headed “Experts and Consents” in this Appendix;
- (i) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix; and
- (j) a copy of each circular issued by Eminence since 31 March, 2018 pursuant to the requirements of Chapter 14 and/or 14A of the Listing Rules, including this circular.

NOTICE OF SPECIAL GENERAL MEETING – EASYKNIT



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1218)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Easyknit International Holdings Limited (永義國際集團有限公司) (“**Easyknit**”) will be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong, on 28 February 2019 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed with or without amendment as an ordinary resolution of Easyknit:–

ORDINARY RESOLUTIONS

“THAT:

- (a) the disposal by the Easyknit Group of the Easyknit Sale Company and related Shareholder Loan at the Easyknit Sale Consideration on the terms of the Easyknit Sale Agreement (a copy of which has been produced to the Easyknit SGM marked “A” and signed by the Chairman by way of identification) be and are hereby approved and ratified; and
- (b) the acquisition of the Eminence Sale Company and related Shareholder Loan at the Eminence Sale Consideration on the terms of the Eminence Sale Agreement (a copy of which has been produced to the Easyknit SGM marked “B” and signed by the Chairman by way of identification) be and are hereby approved and ratified; and
- (c) the Easyknit Directors be and are hereby authorised for and on behalf of Easyknit and in its name to execute all such documents, instruments and agreements and do all such acts, matters and things as they may in their absolute discretion consider necessary, desirable or expedient for the purposes of or in connection with executing, implementing, completing and giving effect to the Easyknit Sale Agreement and the Eminence Sale Agreement and the transactions contemplated thereunder, including but not limited to the deed of set off, and to agree to such variations of the terms of the Easyknit Sale Agreement and the Eminence Sale Agreement as they may in their absolute discretion consider necessary or desirable.”

* For identification purposes only

NOTICE OF SPECIAL GENERAL MEETING – EASYKNIT

Terms defined in the circular of the Company to its shareholders issued jointly with Eminence Enterprise Limited dated 12 February 2019 are used in this resolutions with those defined meanings.

By Order of the Easyknit Board
Easyknit International Holdings Limited
Tse Wing Chiu Ricky
President and Executive Officer

Hong Kong, 12 February 2019

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

Head office and principal place of business in Hong Kong:
Block A, 7th Floor
Hong Kong Spinners Building, Phase 6
481-483 Castle Peak Road
Cheung Sha Wan, Kowloon
Hong Kong

Notes:

1. A white 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 attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of Easyknit entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of Easyknit.
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 of attorney or authority, must be deposited at Easyknit's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
5. Completion and return of the form of proxy will not preclude a shareholder of Easyknit from attending and voting in person at the meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of Easyknit, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of Easyknit in respect of the joint holding.
7. For the purpose of determining shareholders' eligibility to attend and vote at the meeting, the register of members will be closed from 22 February 2019 to 28 February 2019, both days inclusive, during which period, no transfers of shares in Easyknit will be registered. In order for the holders to qualify to attend and vote at the meeting, all transfers of shares accompanied by the relevant share certificates must be lodged

NOTICE OF SPECIAL GENERAL MEETING – EASYKNIT

with Easyknit's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 21 February 2019.

8. The board of directors of Easyknit comprises Mr. Tse Wing Chiu Ricky, Ms. Lui Yuk Chu and Ms. Koon Ho Yan Candy as executive directors; and Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun as independent non-executive directors.

NOTICE OF SPECIAL GENERAL MEETING – EMINENCE



EMINENCE ENTERPRISE LIMITED

高山企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Eminence Enterprise Limited (高山企業有限公司)(“**Eminence**”) will be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong, on 28 February, 2019 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed with or without amendment as an ordinary resolution of Eminence:–

ORDINARY RESOLUTIONS

“THAT:

- (a) the acquisition by the Eminence Group of the Easyknit Sale Company and related Shareholder Loan at the Easyknit Sale Consideration on the terms of the Easyknit Sale Agreement (a copy of which has been produced to the Eminence SGM marked “A” and signed by the Chairman by way of identification) be and are hereby approved and ratified; and
- (b) the disposal of the Eminence Sale Company and related Shareholder Loan at the Eminence Sale Consideration on the terms of the Eminence Sale Agreement (a copy of which has been produced to the Eminence SGM marked “B” and signed by the Chairman by way of identification) be and are hereby approved and ratified; and
- (c) the entering into of the Property Management Agreement on the terms of the draft a copy of which has been produced to the Eminence SGM marked “C” and signed by the Chairman by way of identification be and is hereby approved; and
- (d) the Eminence Directors be and are hereby authorised for and on behalf of Eminence and in its name to execute all such documents, instruments and agreements and do all such acts, matters and things as they may in their absolute discretion consider necessary, desirable or expedient for the purposes of or in connection with executing, implementing, completing and giving effect to the Easyknit Sale Agreement, the Eminence Sale Agreement and the Property Management Agreement and the transactions contemplated thereunder, including but not limited to deed of set off, and to agree to such variations of the terms of the Easyknit Sale Agreement, the Eminence Sale Agreement and the Property Management Agreement as they may in their absolute discretion consider necessary or desirable.”

NOTICE OF SPECIAL GENERAL MEETING – EMINENCE

Terms defined in the circular of the Company to its shareholders issued jointly with Easyknit International Holdings Limited dated 12 February 2019 are used in this resolutions with those defined meanings.

By Order of the Board
EMINENCE ENTERPRISE LIMITED
Kwong Jimmy Cheung Tim
Chairman and Chief Executive Officer

Hong Kong, 12 February 2019

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

Head office and principal place of business in Hong Kong:
Block A, 7th Floor
Hong Kong Spinners Building, Phase 6
481-483 Castle Peak Road
Cheung Sha Wan Kowloon
Hong Kong

Notes:

1. A blue 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 attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of Eminence entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of Eminence.
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 of attorney or authority, must be deposited at Eminence's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding of the meeting.
5. Completion and return of the form of proxy will not preclude a shareholder of Eminence from attending and voting in person at the meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of Eminence, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of Eminence in respect of the joint holding.
7. For the purpose of determining shareholders' eligibility to attend and vote at the meeting, the register of members will be closed from 22 February 2019 to 28 February 2019, both days inclusive, during which period, no transfers of shares in Eminence will be registered. In order for the holders to qualify to attend and vote at the meeting, all transfers of shares accompanied by the relevant share certificates must be

NOTICE OF SPECIAL GENERAL MEETING – EMINENCE

lodged with Eminence's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 21 February 2019.

8. The board of directors of Eminence comprises Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu as executive directors; Mr. Kan Ka Hon, Mr. Lau Sin Ming, Mr. Foo Tak Ching and Mr. Wu Koon Yin Welly as independent non-executive directors.