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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)

**MAJOR TRANSACTION
ACQUISITIONS OF LISTED SECURITIES**

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the meanings as set out below:

“Ace Winner”	Ace Winner Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Acquired Share(s)”	a total of 20,890,000 EE Shares acquired by Ace Winner on-market between 12 February 2020 and 13 February 2020
“Acquisitions”	the acquisitions by Ace Winner on-market of a total of 20,890,000 EE Shares between 12 February 2020 and 13 February 2020 for an aggregate purchase price of HK\$10,543,700 (exclusive of transaction costs)
“Acquisitions During Relevant Period”	the acquisitions by Ace Winner on-market of a total of 50,165,000 EE Shares during the Relevant Period for an aggregate purchase price of HK\$28,722,650 (exclusive of transaction costs)
“Aggregated Acquisitions”	the Acquisitions and the Previous Acquisitions
“Board”	the board of Directors
“Company”	Easyknit International Holdings Limited, 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)
“Director(s)”	the director(s) of the Company
“discloseable transaction”	as defined in the Listing Rules
“EE Share(s)”	ordinary share(s) of par value HK\$0.20 each in the share capital of Eminence
“Eminence”	Eminence Enterprise Limited, 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)
“Eminence Group”	Eminence and its subsidiaries
“Goodco”	Goodco Development Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of Company, and a substantial shareholder of Eminence
“Group”	the Company and its subsidiaries

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) which, to the best knowledge and belief of the Directors having made all reasonable enquiries, is/are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company and a shareholder of Eminence
“Latest Practicable Date”	3 March 2020, being the latest practicable date prior to the printing of this circular for ascertaining information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“major transaction”	as defined in the Listing Rules
“PRC”	the People’s Republic of China
“Previous Acquisitions”	the subscription of the rights shares of Eminence by Goodco and Landmark Profits under the Rights Issue
“Relevant Period”	the period from 14 February 2020 and up to, including, the Latest Practicable Date
“Rights Issue”	the rights issue of Eminence in which the Company, through Goodco and Landmark Profits, had subscribed in full the provisional allotment of 147,866,132 EE Shares, details of the rights issue are found in the prospectus of Eminence dated 16 January 2020
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE 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 Chief Executive Officer)

Ms. Lui Yuk Chu

(Vice President)

Ms. Koon Ho Yan Candy

Independent Non-executive Directors:

Mr. Tsui Chun Kong

Mr. Jong Koon Sang

Mr. Hon Tam Chun

Registered Office:

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Hong Kong Spinners Building

Phase 6

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Cheung Sha Wan

Kowloon

Hong Kong

5 March 2020

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION ACQUISITIONS OF LISTED SECURITIES

INTRODUCTION

Reference is made to the joint announcement dated 6 November 2019 published by the Company and Eminence in relation to, inter alia, the full acceptance of allotment under the Rights Issue of Eminence, and the announcement of the Company dated 13 February 2020 relating to the Acquisitions.

The purpose of this circular is to provide you with further information on, amongst other things, the Previous Acquisitions, the Acquisitions and the Acquisitions During Relevant Period.

* for identification purposes only

LETTER FROM THE BOARD

THE PREVIOUS ACQUISITIONS

As disclosed in the joint announcement dated 6 November 2019 published by the Company and Eminence in relation to, inter alia, the full acceptance of allotment under the Rights Issue, the Group, through Goodco and Landmark Profits, had subscribed in full the provisional allotment of 147,866,132 EE Shares. The subscription price per rights share of Eminence was HK\$0.483 and the total subscription price for the rights shares of Eminence paid by the Group was approximately HK\$71,419,342. Such amount was paid in cash from internal resources of the Group. The Rights Issue was completed on 11 February 2020.

THE ACQUISITIONS

The Company, through Ace Winner, subsequently acquired on-market a total of 20,890,000 EE Shares between 12 February 2020 and 13 February 2020. The average price (exclusive of transaction costs) for acquiring each of the EE Shares was approximately HK\$0.505 and the aggregate purchase price (exclusive of transaction costs) was HK\$10,543,700. All were acquired at the then-prevailing market prices of the EE Shares. The aggregate purchase price was paid in cash from internal resources of the Group.

The average purchase price of approximately HK\$0.505 per Acquired Share represents:

- (i) a discount of approximately 4.72% to the closing price of HK\$0.530 per EE Share as quoted on the Stock Exchange on 13 February 2020;
- (ii) a premium of approximately 1.81% to the average of the closing prices of the EE Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to including 13 February 2020 of approximately HK\$0.496 per EE Share;
- (iii) a premium of approximately 2.85% to the average of the closing prices of the EE Shares as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to including 13 February 2020 of approximately HK\$0.491 per EE Share; and
- (iv) a premium of approximately 9.78% to the closing price of HK\$0.460 per EE Share as quoted on the Stock Exchange as at the Latest Practicable Date.

Immediately prior to the Acquisitions, the Company, through Goodco and Landmark Profits (both of which are wholly-owned subsidiaries of the Company), held a total of 184,832,665 EE Shares, representing approximately 19.84% of the total issued share capital of Eminence. Following the Acquisitions, in which Ace Winner acquired a total of 20,890,000 EE Shares, the Group holds a total of 205,722,665 EE Shares, representing approximately 22.09% of the total issued share capital of Eminence and Eminence remained an associated company (in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants) of the Company.

As the Acquisitions were made through the market, the Company is not aware of the identity of the seller(s) of the EE Shares and accordingly, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, the seller(s) of the EE Shares and their respective ultimate beneficial owner(s) (where applicable) are Independent Third Parties.

LETTER FROM THE BOARD

THE AGGREGATED ACQUISITIONS

The aggregate purchase price for the Acquisitions and the Previous Acquisitions is approximately HK\$81,963,042.

THE ACQUISITIONS DURING RELEVANT PERIOD

After the Acquisitions and the announcement of the Company dated 13 February 2020 in relation to the Acquisitions, the Company, through Ace Winner, acquired on-market a total of 50,165,000 EE Shares from 14 February 2020 up to, and including, the Latest Practicable Date (being the Relevant Period). The average price (exclusive of transaction costs) for acquiring each of the EE Shares was approximately HK\$0.573 and the aggregate purchase price (exclusive of transaction costs) was HK\$28,722,650. All were acquired at the then-prevailing market prices of the EE Shares. The aggregate purchase price was paid in cash from internal resources of the Group.

The average purchase price (exclusive of transaction costs) of the Acquisitions During Relevant Period for acquiring each of the EE Shares of approximately HK\$0.573 represents:

- (i) a premium of approximately 24.57% to the closing price of HK\$0.460 per EE Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a premium of approximately 9.77% to the average of the closing prices of the EE Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to including the Latest Practicable Date of approximately HK\$0.522 per EE Share; and
- (iii) a premium of approximately 0.17% to the average of the closing prices of the EE Shares as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to including the Latest Practicable Date of approximately HK\$0.572 per EE Share.

Immediately prior to the Acquisitions During Relevant Period, the Company, through Ace Winner, Goodco and Landmark Profits (all of which are wholly-owned subsidiaries of the Company), held a total of 205,722,665 EE Shares, representing approximately 22.09% of the total issued share capital of Eminence. Following the Acquisitions During Relevant Period, which Ace Winner acquired a total of 71,055,000 EE Shares, the Group holds a total of 255,887,665 EE Shares, representing approximately 27.47% of the total issued share capital of Eminence and Eminence remains an associated company (in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants) of the Company.

As the Acquisitions During Relevant Period were made through the market, the Company is not aware of the identities of the seller(s) of the EE Shares and accordingly, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, the seller(s) of the EE Shares and their respective ultimate beneficial owner(s) (where applicable) are Independent Third Parties.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE AGGREGATED ACQUISITIONS AND THE ACQUISITIONS DURING RELEVANT PERIOD

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

The Aggregated Acquisitions, as well as the Acquisitions During Relevant Period, are in alignment with the Group's principal business of securities investment. According to the prospectus for the Rights Issue of Eminence, the unaudited adjusted consolidated net asset value (immediately before completion of the Rights Issue) per EE Share based on the unaudited consolidated net assets of Eminence as at 30 September 2019 was approximately HK\$14.970. The Directors estimate that immediately after the Rights Issue of Eminence, based on the same consolidated net asset value of approximately HK\$2,788,849,000 and adjusted for the estimated net proceeds of the Rights Issue of approximately HK\$354,215,000 stated in that prospectus, it was approximately HK\$3.374 per EE Share. This is considerably more than the Company's average acquisition cost of approximately HK\$0.486 per EE Share in the Aggregated Acquisitions, as well as the Company's average acquisition cost of approximately HK\$0.506 per EE Share in the aggregation of the Aggregated Acquisitions and the Acquisitions During Relevant Period. Eminence has announced several potential development projects such as Matheson Building in Causeway Bay, the acquisition of Easy Tower in Cheung Sha Wan, and Wing Cheong Factory Building in Cheung Sha Wan. The Directors believe these projects are likely to generate attractive returns for investors in Eminence in due course. Having considered the recent performance of Eminence and its prospects, the Company considers that the Aggregated Acquisitions and the Acquisitions During Relevant Period are an attractive investment of the Company.

As the Acquisitions and the Acquisitions During Relevant Period were made at the then-prevailing market prices and the EE Shares acquired in the Rights Issue were acquired at the subscription price, the Directors (including the independent non-executive Directors) are of the view that the Aggregated Acquisitions and the Acquisitions During Relevant Period are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECTS OF THE AGGREGATED ACQUISITIONS

The Aggregated Acquisitions represent additional investments in Eminence and will be accounted for as an addition of interests in associates in the non-current assets of the consolidated statement of financial position of the Group, and at the same time decreased the amount of cash of the Group. It is expected the Aggregated Acquisitions will not have material impact on the financial position of the Group.

INFORMATION ON EMINENCE

According to publicly available information, Eminence is an investment holding company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (stock code: 616). Eminence and its subsidiaries are principally engaged in property investment, property development, securities investment and loan financing.

LETTER FROM THE BOARD

The following information is extracted from the public documents of Eminence:

	For the six months ended 30 September 2019	For the year ended 31 March	
	<i>HK\$'000</i> <i>(unaudited)</i>	<i>2019</i> <i>HK\$'000</i> <i>(audited)</i>	<i>2018</i> <i>HK\$'000</i> <i>(audited)</i>
Revenue	39,950	62,228	49,605
(Loss)/Profit before tax	(12,503)	50,910	54,608
(Loss)/Profit attributable to shareholders of Eminence	(12,369)	50,510	53,539

As extracted from the interim report for the six months ended 30 September 2019 of Eminence, the net assets value of Eminence was approximately HK\$2,788,849,000 as at 30 September 2019.

Below are the management discussions and analyses of Eminence for its latest three (3) financial years, ended 31 March 2019, 2018 and 2017, based on the annual reports of Eminence.

For the year ended 31 March 2019

Business Review

During the year, the Eminence Group was principally engaged in property development, property investment, comprising the ownership and rental of investment properties, investment in securities and loan financing business which property development and property investment are the core business of the Eminence Group. The review of the individual business segments of the Eminence Group are set out below.

(i) Property Development

One of the core business of the Eminence Group is property development. The Eminence Group has extensive experience on property redevelopment, in particular, acquisition of old buildings for renewal and redevelopment. Below are the major projects of the Eminence Group during the year.

1. Project Matheson

As at 31 March 2019, the Eminence Group, through its subsidiary, owns the site at Nos. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong. The total area of the site is approximately 2,857 sq ft. and is currently under development. After development, the site will provide a gross floor area of approximately 3,982 sq ft of commercial/office mixed-use building. The development is expected to complete in the fourth quarter of 2021.

LETTER FROM THE BOARD

2. Project Wing Cheong

As at 31 March 2019, the Eminence Group, through its subsidiary, owns approximately 86.4% of Wing Cheong Factory Building, a building located at No. 121 King Lam Street, Kowloon, Hong Kong. The site area is approximately 5,483 sq ft. On 12 September 2018, the Eminence Group filed an application under the Lands (Compulsory Sale for Redevelopment) Ordinance for auctioning all the units in Wing Cheong Factory Building. The Eminence Group plans to develop the site into an industrial mixed-use building with car parking spaces.

3. Disposal of Inverness Road Property

Inverness Road Property is a residential building located at Nos. 14–20 Inverness Road, Kowloon, Hong Kong, also known as New Kowloon Inland Lot No. 6573. It was a residential building under the development of the Eminence Group.

On 8 March 2019, the Eminence Group successfully disposed the Inverness Road Property and acquired Easy Tower simultaneously. The disposal of the Inverness Road Property allows the Eminence Group to focus on the industrial and non-residential sectors and sharpen its competitive edge on industrial building redevelopments. It also enables the Eminence Group to acquire Easy Tower and raise cash for other development projects, such as Wing Cheong, Fung Wah and Matheson Project. Furthermore, the disposal enabled the Eminence Group to save approximately HK\$135 million which the Eminence Group otherwise had to expend to complete the Inverness Road Property and bring it to market.

For further details, please refer to “Material Acquisition and Disposal” section below.

(ii) Property Investment

The other core business of the Eminence Group is property investment.

During the year, the total rental income of the Eminence Group recorded was approximately HK\$42,627,000 (2018: approximately HK\$33,012,000), representing a 29.1% 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, rental reversion at major investment properties and properties held for development for sale 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 approximately HK\$1,129,400,000 as at 31 March 2019 (2018: approximately HK\$1,156,000,000). For the year ended 31 March 2019, the Eminence Group recorded property rental income of approximately HK\$23,339,000 (2018: approximately HK\$16,516,000), representing an increase of approximately 41.3% as compared with 2018.

LETTER FROM THE BOARD

Below are the major property investments of the Eminence Group during the year.

1. Acquisition of Office Units and Car Parks in Capital Centre

The Eminence Group, through its subsidiary, owns the whole floor of 12th Floor of Capital Centre, No. 151 Gloucester Road, Hong Kong, as well as, car park spacing numbers 329, 330 and 331 on the 3rd Floor of the same building. The total saleable area of the 12th Floor is approximately 11,316 sq ft. The consideration was HK\$295 million. These properties were acquired for investment purposes and for providing an opportunity to expand and diversify the Eminence Group's property investment portfolio, and for generating a steady flow of rental income to the Eminence Group. For further details, please refer to "Material Acquisition and Disposal" and "Events after the end of the Reporting Period" sections below.

2. Acquisition of Easy Tower

Easy Tower is an industrial building located at No. 609 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong, with a total gross floor area of approximately 74,458 sq ft. It is adjacent to Fung Wah Factorial Building, a site wholly owned by the Eminence Group with a total saleable area of 46,312 sq ft.

The acquisition of Easy Tower enables the Eminence Group to better focus on industrial and non-residential real estate activities which in turn enhance its competitiveness in such field. Easy Tower is also a source of recurring income to the Eminence Group through renting out the units in the building.

It also allows the Eminence Group to redevelop both Easy Tower site and Fung Wah Factorial Building site together and will significantly enhance the development potential of both sites.

Singapore

In Singapore, the Eminence Group owns 3 residential units with a total carrying amount of approximately HK\$159,831,000 as at 31 March 2019 (2018: approximately HK\$162,456,000). For the year ended 31 March 2019, the Eminence Group received property rental income of approximately HK\$2,840,000 (2018: approximately HK\$2,719,000), representing a 4.5% increase over the last year.

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 approximately HK\$374,130,000 at 31 March 2019 (2018: approximately HK\$338,177,000). For the year ended 31 March 2019, the Eminence Group recorded property rental income of approximately HK\$16,448,000 (2018: approximately HK\$13,777,000), representing an increase of approximately 19.4% as compared with 2018.

LETTER FROM THE BOARD

(iii) Securities Investment

During the year, the Eminence Group has adopted a prudent attitude in its securities investment. The Eminence Group had acquired listed securities and disposed of some shares in the investment portfolio. The Eminence Group recorded a loss on change in fair value of financial assets at fair value through profit or loss of approximately HK\$16,283,000 (2018: approximately HK\$2,195,000). The impairment loss on available-for-sale investments was nil (2018: approximately HK\$3,406,000). As a result, the Eminence Group reported a segment loss of approximately HK\$16,500,000 (2018: segment loss of approximately HK\$1,316,000) during the year under review. The Eminence Group received dividend income from the listed securities of approximately HK\$3,667,000 during the year under review. The Eminence Group considers that the prospects in respect of the listed shares investments are healthy. The Eminence Group 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 Group will closely monitor the performance progress of the investment portfolio from time to time.

At 31 March 2019, the Eminence Group's investment in equity securities listed in Hong Kong amounting to approximately HK\$56,338,000 (2018: approximately HK\$3,436,000). It was derived from (i) the purchase of securities of approximately HK\$22,974,000 during the year under review; (ii) the disposal of securities which had a fair value of approximately HK\$160,625,000; (iii) net decrease in market value of securities investments in the amount of approximately HK\$16,659,000; and (iv) reclassified from available-for-sale investments of approximately HK\$207,213,000. This value represented an investment portfolio comprising 4 (2018: 4) equity securities which are listed on the Main Board of the Stock Exchange.

The Eminence Group held significant securities investments as at 31 March 2019 as below:

Company name (stock code)	No. of shares held	Approx. % held to the total issued share capital of the company/ investment	Investment cost/cost of acquisition	Dividend income for the year ended 31 Mar 2019	Fair value		Approx. % of total assets of the Eminence Group at 31 Mar 2019
					gain (loss) for the year ended 31 Mar 2019	Fair value at 31 Mar 2019	
		%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
China SCE Group Holdings Ltd. (1966)	6,800,000	0.16%	10,757	1,359	272	27,812	0.69%
Best Food Holding Co. Ltd. (1488)	21,660,000	1.37%	25,740	133	1,273	26,425	0.65%
Other listed shares*	-	-	17,509	769	(377)	2,101	0.05%
Grand total:			<u>54,006</u>	<u>2,261</u>	<u>1,168</u>	<u>56,338</u>	<u>1.39%</u>

* Other listed shares included 2 companies whose shares are listed on the Main Board of the Stock Exchange.

LETTER FROM THE BOARD

(iv) Loan Financing

During the year, the Eminence Group recorded interest income from the loan financing business amounting to approximately HK\$19,601,000 (2018: approximately HK\$16,593,000), representing approximately 31.50% of the total revenue of the Eminence Group. The segment profit of loan financing business was approximately HK\$5,726,000 for the year ended 31 March 2019 (2018: approximately HK\$9,208,000). The outstanding principal amount of loans receivable as at 31 March 2019 was approximately HK\$336,010,000 (2018: approximately HK\$265,297,000). At 31 March 2019, impairment allowance for loans receivable amounted to approximately HK\$9,192,000. During the year under review, impairment allowance recognized in profit or loss amounted to approximately HK\$2,808,000 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 2019, the Eminence Group's revenue increased by 25.4% to approximately HK\$62,228,000 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 2019 was approximately HK\$58,957,000, representing an increase of approximately 26.2% or approximately HK\$12,232,000 as compared to approximately HK\$46,725,000 in 2018. Gross profit margin for the year reached approximately 94.7% (2018: approximately 94.2%), representing an increase of 0.5% over the last financial year.

Profit before Taxation

Profit before taxation of the Eminence Group for the year ended 31 March 2019 was approximately HK\$50,910,000, as compared with last year profit before taxation of approximately HK\$54,608,000.

Administrative expenses of the Eminence Group increased from approximately HK\$35,525,000 to approximately HK\$48,276,000, an increase of approximately 35.9% as compared with the last year.

During the year under review, there was a loss on changes in fair value of financial assets amounting to approximately HK\$16,283,000 (2018: approximately loss of HK\$2,195,000).

Finance costs of the Eminence Group was approximately HK\$36,310,000, increased by approximately HK\$4,937,000 or approximately 15.7% for the year from approximately HK\$31,373,000 in 2018, of which approximately HK\$17,123,000 (2018: approximately HK\$17,128,000) is the effective interest expense on convertible notes.

LETTER FROM THE BOARD

Profit Attributable to shareholders of Eminence and Earnings per EE Share

Profit attributable to shareholders of Eminence for the year ended 31 March 2019 was approximately HK\$50,510,000, as compared to last year profit of approximately HK\$53,539,000. Net profit margin is approximately 81.2% as compared to net profit margin last year of approximately 107.9%.

For this year, the taxation charge was approximately HK\$400,000 whilst last year the taxation charge was approximately HK\$1,069,000.

Basic and diluted earnings per EE Share for the year ended 31 March 2019 were approximately HK1.70 cents and HK1.67 cents respectively as compared to basic and diluted earnings per EE Share were approximately HK2.31 cents and HK2.15 cents respectively in 2018.

Liquidity and Financial Resources

At 31 March 2019, total assets of the Eminence Group amounted to approximately HK\$4,034,545,000 (2018: approximately HK\$4,011,917,000). In terms of financial resources as at 31 March 2019, the Eminence Group's total bank balances and cash was approximately HK\$141,582,000 (2018: approximately HK\$125,422,000).

At 31 March 2019, the Eminence Group has total bank borrowings of approximately HK\$1,075,229,000 (2018: approximately 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 0.4 (2018: approximately 0.4). As at 31 March 2019, the Eminence Group's current ratio was approximately 4.8 (2018: approximately 3.5).

The Eminence Group financed its operations primarily with recurring cash flow generated from its operations and bank financing.

Charges of Assets

As at 31 March 2019, the Eminence Group had bank loans amounting to approximately HK\$1,075,229,000 (2018: approximately HK\$1,092,660,000) which were secured by the Eminence Group's properties with an aggregate net book value of approximately HK\$776,431,000 (investment properties) and approximately HK\$1,730,263,000 (properties held for development for sale) respectively (2018: approximately HK\$986,740,000 and HK\$1,634,964,000).

LETTER FROM THE BOARD

Material Acquisitions and Disposals

(1)(a) Acquisition of Easy Tower

On 19 November 2018, the Eminence Group through Sonic Hover Limited, a wholly-owned subsidiary, entered into a conditional sale and purchase agreement with Easyknit Properties Holdings Limited, a subsidiary of the Company. Pursuant to which, Sonic Hover Limited agreed to acquire from Easyknit Properties Holdings Limited the entire equity interest in Wellmake Investments Limited (“**Wellmake**”), which the material asset is Easy Tower. The sale consideration was of HK\$470,000,000. The transaction was approved by the independent shareholders of Eminence on 28 February 2019 and was duly completed on 8 March 2019.

Easy Tower is located at No. 609 Tai Nan West Street, Cheung Sha Wan, Kowloon, also known as New Kowloon Inland Lot No. 6238, and is adjacent to Fung Wah Factorial Building, a lot already owned by the Eminence Group. The total gross floor area of Easy Tower is approximately 74,458 sq ft. while for the total saleable area of Fung Wah Factorial Building is approximately 46,312 sq ft.

On completion, a property management agreement (“**Property Management Agreement**”) was entered into between Wellmake, which was then a subsidiary of Eminence after the completion, and UrbanMode (HK) Limited (“**Manager**”), a wholly-owned subsidiary of the Company. Pursuant to which, Wellmake appointed the Manager to manage Easy Tower for an initial period of three years from completion. The Group has been providing property management services for Easy Tower and to facilitate the smooth transition of Easy Tower ownership without disruption to the management of Easy Tower, the Manager will manage and maintain Easy Tower after completion.

Reasons for Acquisition

The acquisition of Easy Tower enables to the Eminence Group better focus on industrial and non-residential real estate activities which in turn enhance its competitiveness in such sector. Easy Tower is also a source of recurring income to the Eminence Group through renting out the units in the building.

Acquiring Easy Tower also allows the Eminence Group to redevelop both Easy Tower site and Fung Wah Factorial Building site together and will significantly enhance the development potential of both sites.

(1)(b) Disposal of Inverness Road Property

On 19 November 2018, the Eminence Group, through its wholly-owned subsidiary, Kingbest Capital Holdings Limited, entered into a conditional sale and purchase agreement with Gold Anchor Developments Limited, a wholly-owned subsidiary of the Company. Pursuant to which, Kingbest Capital Holdings Limited agreed to dispose to Gold Anchor Developments Limited the entire equity interest in Total Expect Limited, which the material asset is Inverness Road Property. The sale consideration was HK\$1,035,000,000. The transaction was approved by the independent shareholders of Eminence on 28 February 2019 and was duly completed on 8 March 2019.

LETTER FROM THE BOARD

Reasons for Disposal

Inverness Road Property is located at Nos. 14–20 Inverness Road, Kowloon, Hong Kong, also known as New Kowloon Inland Lot No. 6573. The disposal of the Inverness Road Property allows the Eminence Group to focus on the industrial and non-residential sectors and sharpen its competitive edge on industrial building redevelopment. It also enables the Eminence Group to acquire Easy Tower and raise cash for other development projects, such as Wing Cheong, Fung Wah and Matheson Project. Furthermore, the disposal enabled the Eminence Group to save approximately HK\$135 million which the Eminence Group otherwise had to expend complete the Inverness Road Property and bring it to market. Through such acquisition and disposal, the Eminence Group received a net proceeds of approximately HK\$586,142,000.

For further details of the acquisition and disposal, please refer to the joint announcement dated 21 November 2018 and the joint circular dated 12 February 2019.

(2) Acquisition of Office Units and Car Parks in Capital Centre

The Eminence Group completed the acquisition of 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 carparking spaces numbers 329, 330 and 331 on the 3rd Floor of Capital Centre, No. 151 Gloucester Road, Hong Kong on 30 April 2018. The consideration was approximately HK\$295 million. These properties were acquired for investment purposes and for providing an opportunity to expand and diversify the Eminence Group's property investment portfolio and for generating a steady flow of rental income to the Eminence Group.

As of 31 March 2019, the rental income from the properties during the year was approximately HK\$3,598,000.

On 20 November 2018, Eminence obtained Eminence's shareholders' approval to auction these properties (as a whole) through open tender of not less than HK\$310 million. Such approval allows Eminence to act swiftly on its investment portfolio and provides the board of Eminence maximum flexibility in a sale and increase the pool of potential buyers.

For further information on the acquisition, please refer to Eminence's announcement dated 11 January 2018 and circular dated 15 March 2018.

For further information on the tender, please refer to Eminence's announcement dated 4 October 2018 and circular dated 20 November 2018.

Saved 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 Group considered the risk of exposure to the currency fluctuation to be minimal.

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Contingent Liabilities

The Eminence Group did not have any significant contingent liabilities as at 31 March 2019 (2018: nil).

Capital Expenditure and Capital Commitments

Capital Expenditure

For the year ended 31 March 2019, the Eminence Group invested approximately HK\$1,489,000 (2018: approximately HK\$1,433,000) in the purchase of property, plant and equipment, and spent approximately HK\$23,368,000 (2018: approximately HK\$201,710,000) on addition of investment properties, other than the acquisition of investment properties through acquiring Wellmake. These capital expenditures were financed from internal resources and funds from previous fund raising activities of Eminence.

Capital Commitments

As at 31 March 2019, the Eminence Group had capital commitments in respect of capital expenditure contracted for but not provided of approximately HK\$40,684,000 (2018: approximately HK\$265,975,000).

Employees

As at 31 March 2019, the Eminence Group had 55 employees (2018: 46). Staff costs (including directors' emoluments) amounted to approximately HK\$21,222,000 for the year under review (2018: approximately HK\$17,065,000). 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 Hong Kong economy has been growing steadily despite an increasingly challenging external environment.

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 board of Eminence maintains a cautiously optimistic view on the property market and would continue devoting resources and effort in increasing and replenishing its land bank for its property development business and will also continue to adopt a prudent approach in acquiring and disposing properties and other investments to secure steady recurring income and capital appreciation for the Eminence Group.

LETTER FROM THE BOARD

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 EE 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 EE 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).

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).

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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 board of Eminence 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 board of Eminence 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 Board of the Stock Exchange.

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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 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 directors of Eminence 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 such annual 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 such annual report. Details are set out in Eminence's circular dated 12 February 2018.

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.

Financial Review

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.

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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 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 EE 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 EE Share for the year 31 March 2018 were HK2.31 cents and HK2.15 cents respectively as compared to basic and diluted loss per EE 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.

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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 EE 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 of Eminence 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 EE 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 of Eminence 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 of Eminence 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 EE 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 of Eminence 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.

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Issue of convertible notes during the year

- (1) On 1 March 2017, Eminence as an issuer and Goodco (the “**Subscriber**”), a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company, being a substantial shareholder of Eminence, 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’s announcements dated 7 August 2017 and 26 September 2017 and Eminence’s 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

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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 of Eminence 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

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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 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 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 carparking spaces numbers 329, 330 and 331 on the 3rd Floor of Capital Centre, No. 151 Gloucester Road, Hong Kong. The acquisition of the Target Group took place on 30 April 2018.

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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 of Eminence 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.

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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

During the year, the Eminence 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.

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.

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(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.

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).

(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

Revenue

The Eminence Group’s 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%.

LETTER FROM THE BOARD

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 Shareholders of Eminence and Loss per EE 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 EE Share for the year 31 March 2017 were HK\$0.02 as compared to basic and diluted loss per EE 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).

LETTER FROM THE BOARD

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 Eminence's shareholders' value:

- (i) On 1 March 2017, Eminence entered into a subscription agreement with Goodco 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 EE 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 such annual 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 such annual 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 EE Share held on the record date. However, the resolution was not passed by the independent shareholders of Eminence on 15 December 2016 and the proposed rights issue was lapsed.

LETTER FROM THE BOARD

- (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 EE 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 such annual 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 Eminence for a principal 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 such annual 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 EE 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 EE Shares were issued during the year.

- (i) On 22 September 2016, 223,000,000 new EE Shares were issued at the price of HK\$0.18 per EE 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 EE Shares were issued at the price of HK\$0.16 per EE 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 EE Shares were issued pursuant to the exercise of conversion rights of 2016CB.

LETTER FROM THE BOARD

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, 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 EE 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 such annual report, no exercise of the conversion rights was made since the issue date.

LETTER FROM THE BOARD

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 proper ties and proper ties 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. It 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.

LETTER FROM THE BOARD

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 of Eminence 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 property, plant and equipment, and spent HK\$14,779,000 (2016: HK\$214,936,000) on addition of investment proper ties. 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 proper ties 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 exiting 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.

LETTER FROM THE BOARD

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, the Eminence Group will also maintain a stringent 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.

The Eminence Group 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.

INFORMATION ON ACE WINNER AND THE GROUP

The Company is an investment holding company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1218). The Group is principally engaged in property investment, property development, securities investment and loan financing business.

Ace Winner, a wholly-owned subsidiary of the Company, is incorporated under the laws of Hong Kong with limited liability. The principal business of Ace Winner is investment holding.

LISTING RULES IMPLICATIONS

The Acquisitions when aggregated with the EE Shares taken up in the Rights Issue constitute a major transaction of the Company, therefore the Aggregated Acquisitions are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Acquisitions During Relevant Period constitute a discloseable transaction of the Company while the Acquisitions, the Rights Issue and the Acquisitions During Relevant Period in aggregate are a major transaction of the Company, and therefore, the Acquisitions During Relevant Period are only subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. Details of the Acquisitions During Relevant Period can be found in the announcement of the Company dated 21 February 2020.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Aggregated Acquisitions and the Acquisitions During Relevant Period or would be required to abstain from voting on the resolutions approving the transaction should the aforesaid major transaction be put forward to the Shareholders for approval at a general meeting of the Company.

LETTER FROM THE BOARD

WRITTEN SHAREHOLDERS' APPROVALS

Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, written approvals of the Aggregated Acquisitions have been obtained from Sea Rejoice Limited and Magical Profits Limited, substantial Shareholders owning an aggregate 46,609,144 Shares, representing approximately 51.04% of the issued Shares as at the Latest Practicable Date. Sea Rejoice Limited which owns 17,429,664 Shares, representing approximately 19.09% of the issued Shares as at the Latest Practicable Date, is wholly-owned by Ms. Lui Yuk Chu, the vice president of the Company and an executive Director. Magical Profits Limited, which holds 29,179,480 Shares, representing approximately 31.95% of the issued Shares as at the Latest Practicable Date, is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by The Winterbotham Trust Company Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu's family members (including Ms. Koon Ho Yan Candy, daughter of Ms. Lui Yuk Chu and an executive Director) but excluding Ms. Lui Yuk Chu and her spouse). Sea Rejoice Limited and Magical Profits Limited are therefore a "closely allied group of shareholders" for the purpose of the Listing Rules.

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

1. FINANCIAL SUMMARY OF THE GROUP

Further information about the Group is disclosed in the last three (3) published annual reports and the most recent interim report, copies of which can be located at the hyperlinks below:

For the six months ended	Hyperlink	Principal relevant pages
30 September 2019	https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1218/2019121800392.pdf	26–88
For the year ended	Hyperlink	Principal relevant pages
31 March 2019	https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0628/ltn20190628333.pdf	78–246
31 March 2018	https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0629/ltn20180629311.pdf	75–194
31 March 2017	https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0629/ltn20170629279.pdf	63–174

The management discussions and analyses of the Company for the three (3) years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019 are disclosed in the published annual reports and the interim report of the Company respectively for the relevant periods.

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 Group has sufficient working capital for its requirements for the next twelve (12) months from the date of this circular.

3. INDEBTEDNESS

As at the close of business of 31 January 2020, being the latest practicable date for the purpose of determining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding bank borrowings of approximately HK\$1,349,729,000, which were secured by charges are leasehold properties, investment properties, properties held for development for sale and properties held for sale of the Group with carrying amounts of approximately HK\$74,162,000, HK\$1,456,451,000, HK\$1,999,329,000 and HK\$92,240,000 respectively at 31 January 2020 and all bank borrowings were guaranteed by the Company.

Save as disclosed above and intra-group liabilities, the 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 the close of business on 31 January 2020.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Although uncertainties in the global economic outlook have been caused by the softening global economic growth, trade war between US and China, and the outbreak of coronavirus disease (COVID-19), 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 are intended to enable the Group to maintain its competitiveness thereby ensuring the Group's sustainability and securing the Shareholders' benefits.

5. MATERIAL CHANGE

The Directors confirm that, as at the Latest Practicable Date, subject to COVID-19 and other unpredictable circumstances, there has been no material adverse change in the financial or trading position or outlook of the Group since 31 March 2019, the date to which the latest published audited financial statements of the Company were made up, up to and including the Latest Practicable Date.

**A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND
LIABILITIES OF THE GROUP**

The following unaudited pro forma statement of assets and liabilities of the Group (the “**Statement**”) has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the subscription of the rights shares of Eminence under the Rights Issue on 11 February 2020 (the “**Previous Acquisitions**”) and the purchase of 20,890,000 EE Shares during the period from 12 February 2020 to 13 February 2020 (the “**Acquisitions**”) (Previous Acquisitions and Acquisitions hereinafter collectively referred to as the “**Transaction**”), as if the Transaction had taken place on 30 September 2019, might have affected the financial position of the Group:

The Statement is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2019, which has been extracted from the published interim report of the Group for the six months ended 30 September 2019, after making certain pro forma adjustments resulting from the Transaction.

APPENDIX II**UNAUDITED PRO FORMA STATEMENT OF
ASSETS AND LIABILITIES OF THE GROUP**

The Statement is prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the Transaction actually occurred on 30 September 2019. Furthermore, the Statement does not purport to predict the Group's future financial position.

	The Group as at 30 September 2019				Pro forma total for the Group
	<i>HK\$'000</i> <i>(Note 1)</i>	Pro forma adjustments		<i>HK\$'000</i>	
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i> <i>(Note 3)</i>	<i>HK\$'000</i> <i>(Note 4)</i>	<i>HK\$'000</i>
Non-current assets					
Property, plant and equipment	81,419	–	–	–	81,419
Right-of-use assets	1,761	–	–	–	1,761
Investment properties	1,459,450	–	–	–	1,459,450
Interests in associates	534,058	71,419	70,836	–	676,313
Interests in a joint venture	1,739	–	–	–	1,739
Financial assets at fair value through profit or loss ("FVTPL")	128,069	–	–	–	128,069
Debt instruments at fair value through other comprehensive income ("FVTOCI")	30,566	–	–	–	30,566
Loans receivable	11,902	–	–	–	11,902
Intangible asset	500	–	–	–	500
Deposits	205	–	–	–	205
Other debt instrument at amortised cost	29,950	–	–	–	29,950
	<u>2,279,619</u>	<u>71,419</u>	<u>70,836</u>	<u>–</u>	<u>2,421,874</u>

APPENDIX II
**UNAUDITED PRO FORMA STATEMENT OF
ASSETS AND LIABILITIES OF THE GROUP**

	The Group as at 30 September 2019				Pro forma total for the Group HK\$'000
	Pro forma adjustments				
	<i>HK\$'000 (Note 1)</i>	<i>HK\$'000 (Note 2)</i>	<i>HK\$'000 (Note 3)</i>	<i>HK\$'000 (Note 4)</i>	
Current assets					
Properties held for development for sale	1,981,991	–	–	–	1,981,991
Properties held for sale	119,181	–	–	–	119,181
Financial assets at FVTPL	66,491	–	–	–	66,491
Debt instruments at FVTOCI	15,591	–	–	–	15,591
Trade and other receivables	13,812	–	–	–	13,812
Tax recoverable	89	–	–	–	89
Loans receivable	278,135	–	–	–	278,135
Amount due from a joint venture	26	–	–	–	26
Bank balances and cash	103,718	(71,419)	(10,544)	(250)	21,505
	<u>2,579,034</u>	<u>(71,419)</u>	<u>(10,544)</u>	<u>(250)</u>	<u>2,496,821</u>
Current liabilities					
Trade and other payables	37,517	–	–	–	37,517
Amount due to non-controlling shareholder	86,498	–	–	–	86,498
Tax payable	50,124	–	–	–	50,124
Secured bank borrowings	766,763	–	–	–	766,763
Lease liabilities	1,036	–	–	–	1,036
	<u>941,938</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>941,938</u>
Net current assets	<u>1,637,096</u>	<u>(71,419)</u>	<u>(10,544)</u>	<u>(250)</u>	<u>1,554,883</u>
Total assets less current liabilities	<u>3,916,715</u>	<u>–</u>	<u>60,292</u>	<u>(250)</u>	<u>3,976,757</u>
Non-current liabilities					
Secured bank borrowings	549,105	–	–	–	549,105
Lease liabilities	743	–	–	–	743
	<u>549,848</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>549,848</u>
Net assets	<u>3,366,867</u>	<u>–</u>	<u>60,292</u>	<u>(250)</u>	<u>3,426,909</u>

Notes:

1. The figures are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2019, as set out in the published interim report of the Group for the six months ended 30 September 2019.
2. The adjustment represents subscription in full the provisional allotment of 147,866,132 EE Shares under the Rights Issue for a total cash consideration of approximately HK\$71,419,000 based on subscription price of HK\$0.483.
3. The adjustment represents purchase of 20,890,000 EE Shares from the market during the period from 12 February 2020 to 13 February 2020 for a total cash consideration of approximately HK\$10,544,000 (exclusive of transaction costs) based on market price.

According to the published interim report of Eminence for the six months ended 30 September 2019, the net assets of Eminence as at 30 September 2019 are approximately HK\$2,788,849,000. After allotment and issue of rights shares on 11 February 2020 pursuant to the Rights Issue, the net assets of Eminence as at 30 September 2019 are increased to approximately HK\$3,148,764,000 as if the Rights Issue had taken place on 30 September 2019.

Following the Acquisitions, the Group's equity interest in Eminence is to be increased by approximately 2.25% (from approximately 19.84% to approximately 22.09%) and net assets of the Eminence shared by the Group are to be increased by approximately HK\$70,836,000. After considering the cash consideration of the Acquisitions of approximately HK\$10,544,000, gain on bargain purchase of additional interests in associates recorded by the Group is approximately HK\$60,292,000.

4. The adjustment represents payment of the estimated transaction costs attributable to the Transaction of approximately HK\$250,000 which were settled by cash.
5. No impairment has been made to the interests in associates, as the Directors are of the opinion that the recoverable amounts of the interests in associates are higher than their carrying amounts as at 30 September 2019.
6. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2019.

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong:



5 March 2020

The Board of Directors
Easyknit International Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Easyknit International Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 30 September 2019 (the “**Statement**”) as set out on pages II-1 to II-4 of the circular dated 5 March 2020 issued by the Company. The applicable criteria on the basis of which the directors have compiled the Statement are described on page II-2 of the circular.

The Statement has been compiled by the Directors to illustrate the impact of the effect of the subscription of the rights shares of Eminence under the Rights Issue on 11 February 2020 and the purchase of 20,890,000 EE Shares during the period from 12 February 2020 to 13 February 2020 (collectively, the “**Transaction**”) on the Group’s financial position as at 30 September 2019 as if the Transaction had been taken place at 30 September 2019. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s unaudited condensed consolidated financial statements as included in the interim report for the six months ended 30 September 2019, on which no audit or review report has been published.

Directors’ Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Statement in accordance with paragraph 29 of Chapter 4 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 (“**AG**”) 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” 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 requirement 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.

The firm applies Hong Kong Standard on Quality Control 1 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 Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement 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 Statement 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 accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Statement in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" 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 Statement, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Statement.

The purpose of the Statement included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2019 would have been as presented.

A reasonable assurance engagement to report on whether the Statement has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Statement 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 Statement reflects the proper application of those adjustments to the unadjusted financial information.

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

The engagement also involves evaluating the overall presentation of the Statement.

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 Statement has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executives of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company or their respective associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) 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 of the Listing Rules (the “**Model Code**”) were as follows:

(i) Interests in the Company (long position)

Name of Director	Capacity	Number of Shares held	Approximate percentage of the total issued Shares
Lui Yuk Chu	Interest of controlled corporation (<i>Note 1</i>)	17,429,664	19.09%
Koon Ho Yan Candy	Beneficiary of a trust (<i>Note 2</i>)	29,179,480	31.95%

Notes:

- 17,429,664 Shares are beneficially owned by Sea Rejoice Limited which is wholly-owned by Ms. Lui Yuk Chu, an executive Director.
- 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 as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Koon Ho Yan Candy, daughter of Ms. Lui Yuk Chu and an executive Director, but excluding Ms. Lui Yuk Chu and her spouse). As a result, Ms. Koon Ho Yan Candy is deemed to be interested in the Shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust.

(ii) Interests in an associated corporation (long positions)

Eminence

Name of Director	Capacity	Number of EE Shares held	Number of underlying EE Shares held	Total	Approximate percentage of the total issued EE Shares
Lui Yuk Chu	Interest of controlled corporation	255,887,665 (Note 1)	94,457,553 (Note 2)	350,345,218	37.61%
Koon Ho Yan Candy	Beneficiary of a trust	255,887,665 (Note 1)	94,457,553 (Note 2)	350,345,218	37.61%

Notes:

- In the 255,887,665 EE Shares, 71,055,000 EE Shares, 23,387,370 EE Shares and 161,445,295 EE Shares are registered in the name of and beneficially owned by Ace Winner, Landmark Profits and Goodco respectively, all of which are wholly-owned subsidiaries of the Company. Sea Rejoice Limited, which is wholly-owned by Ms. Lui Yuk Chu, an executive Director, is interested in approximately 19.09% of the issued share capital of the Company. Magical Profits Limited is interested in approximately 31.95% of the issued share capital of the Company. Magical Profits Limited is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by The Winterbotham Trust Company Limited as the trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Koon Ho Yan Candy). The Winterbotham Trust Company Limited is owned as to 75% by Winterbotham Holdings Limited ("**Winterbotham Holdings**") and 25% by Markson International Holding Limited ("**Markson**") respectively. Winterbotham Holdings is owned as to approximately 99.99% by Mr. Christopher Geoffrey Douglas Hooper. Approximately 99.99% of Markson is owned by Mr. Ivan Geoffrey Douglas Hooper.
- In the 94,457,553 underlying EE Shares, they comprise of (i) 6,088,511 convertible shares (subject to adjustment) to be issued upon full conversion of the convertible note held by Goodco issued by Eminence in 2017; (ii) 11,445,966 convertible shares (subject to adjustment) to be issued upon full conversion of another convertible note held by Goodco issued by Eminence in 2017; and (iii) 76,923,076 convertible shares (subject to adjustment) to be issued upon full conversion of the convertible note held by Goodco issued by Eminence in 2019.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive 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) Interests of Substantial Shareholders

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 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 Shares held (long position)	Approximate percentage of the total issued Shares
Koon Wing Yee	<i>i & iii</i>	Interest of spouse	17,429,664	19.09%
Sea Rejoice Limited	<i>i</i>	Beneficial owner	17,429,664	19.09%
Magical Profits Limited	<i>ii</i>	Beneficial owner	29,179,480	31.95%
Accumulate More Profits Limited	<i>ii</i>	Interest of controlled corporation	29,179,480	31.95%
The Winterbotham Trust Company Limited	<i>ii</i>	Trustee	29,179,480	31.95%
Winterbotham Holdings	<i>ii</i>	Interest of controlled corporation	29,179,480	31.95%
Markson	<i>ii</i>	Interest of controlled corporation	29,179,480	31.95%
Christopher Geoffrey Douglas Hooper	<i>ii</i>	Interest of controlled corporation	29,179,480	31.95%
Ivan Geoffrey Douglas Hooper	<i>ii</i>	Interest of controlled corporation	29,179,480	31.95%

Notes:

- i. 17,429,664 Shares are held by Sea Rejoice Limited, which is wholly-owned by Ms. Lui Yuk Chu, an executive Director.
- ii. 29,179,480 Shares are held 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 as the trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Koon Ho Yan Candy, an executive Director). The Winterbotham Trust Company Limited is owned as to 75% by Winterbotham Holdings and 25% by Markson respectively. Winterbotham Holdings is owned as to approximately 99.99% by Mr. Christopher Geoffrey Douglas Hooper. Approximately 99.99% of Markson is owned by Mr. Ivan Geoffrey Douglas Hooper.
- iii. Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 17,429,664 Shares by virtue of the SFO.

Ms. Lui Yuk Chu, a Director, is also a director of Magical Profits Limited and Sea Rejoice Limited. Apart from Ms. Lui Yuk Chu, as at the Latest Practicable Date, no Director is also a director or an employee of the substantial shareholders of the Company.

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 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 the Company nor any of its subsidiaries were engaged in any litigation or claims of material importance and, so far as the Directors are aware, there was no litigation or claim of material importance pending or threatened by or against the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contract with any member 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).

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

Name of director	Name of company	Nature of competing business	Nature of interest
Lui Yuk Chu	Eminence	Property investment, property development, securities investment and loan financing	Director of Eminence

Save as disclosed in this circular, at the Latest Practicable Date, none of the 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 Group as required to be disclosed pursuant to the Listing Rules.

6. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors were interested in any contract of arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2019, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to the Company or any of its subsidiaries.

7. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two (2) years immediately preceding and including the Latest Practicable Date:

- (a) an executed term sheet dated 16 March 2018 for the purchase of the equity linked note of Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318) for a consideration of HK\$50,000,000;
- (b) the sale and purchase agreement dated 16 March 2018 entered into between Delano Hills Limited, a wholly-owned subsidiary of the Company, Ms. Park Gi Youn, Giant Astute Limited and the Company 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;
- (c) the placing agreement dated 4 May 2018 entered into between the Company and Get Nice Securities Limited, as the placing agent, to place 11,900,000 Shares at a placing price of HK\$4.60 per placing share;
- (d) a junior notes subscription agreement dated 31 October 2018 entered into between Charming Flash Limited, a wholly-owned subsidiary of the Company, and Golden Glow Limited, as issuer, in relation to the subscription of junior notes (the "**Junior Notes**") issued by the issuer in the amount of US\$4,500,000;
- (e) a conditional sale and purchase agreement dated 19 November 2018 entered into between Kingbest Capital Holdings Limited (a wholly-owned subsidiary of the Eminence), as seller, and Gold Anchor Developments Limited (a wholly-owned subsidiary of the Company) in relation to the sale and purchase of a subsidiary of Eminence that owns the property known as Nos. 14–20 Inverness Road, Kowloon, Hong Kong registered in the Land Registry as New Kowloon Inland Lot No. 6573 at a consideration of HK\$1,035,000,000;
- (f) a conditional sale and purchase agreement dated 19 November 2018 entered into between Easyknit Properties Holdings Limited (a wholly-owned subsidiary of the Company) as seller, and Sonic Hover Limited (a wholly-owned subsidiary of Eminence), as buyer, in relation to the sale and purchase of an indirectly wholly-owned subsidiary of the Company that owns the property known as Easy Tower, No. 609 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong registered in the Land Registry as New Kowloon Inland Lot No. 6238 at a consideration of HK\$470,000,000;

- (g) a loan agreement dated 19 December 2018 entered into between Great Sail Limited (a wholly-owned subsidiary of the Company), as lender, and Fortunate Gravity Hongkong Limited, as borrower, in relation to the granting of a loan in the principal amount of HK\$40,000,000 (the “**Loan**”) from the lender to the borrower for the period of twelve (12) months from the drawdown date which was secured by share charges and a personal guarantee and was amended by an amendment agreement dated 5 February 2020 in relation to, inter alia, the amendment of the loan agreement and extension of the maturity date of the Loan;
- (h) share charges dated 19 December 2018 entered into between Great Sail Global Limited and each of Fortunate Gravity Hongkong Limited, Queen’s Central Hongkong Holdings Limited and Theone Holdings Limited respectively as a security for the Loan;
- (i) a property management agreement dated 8 March 2019 entered into between UrbanMode (HK) Limited, a wholly-owned subsidiary of the Company, as manager, and Wellmake Investments Limited, as registered owner, for the management of Easy Tower by UrbanMode (HK) Limited;
- (j) 3 executed term sheets dated 5 December 2018, 23 January 2019 and 15 May 2019 respectively for the purchase of equity linked notes of China Construction Bank Corporation (stock code: 939) for an aggregate principal amount of HK\$30,000,000;
- (k) a subscription agreement dated 17 June 2019 entered into between Goodco, as subscriber, and Eminence, as issuer, in relation to a 3% per annum coupon rate convertible bond in the principal amount of HK\$70,000,000 issued by Eminence at the initial conversion price of HK\$0.055 per conversion share;
- (l) a co-lending agreement dated 18 June 2019 entered into between Planetic International Limited (“**Planetic**”), an indirectly wholly-owned subsidiary of the Company, STI Partners Limited (“**STI**”) and China Yinsheng Finance Limited (“**China Yinsheng**”), pursuant to which Planetic, STI and China Yinsheng agreed to make available to the borrower a loan of HK\$64,000,000, of which the total capital commitment for Planetic is HK\$45,000,000;
- (m) an executed term sheet dated 8 July 2019 for the purchase of an equity linked note of China Construction Bank Corporation (stock code: 939) for a consideration of HK\$14,000,000;
- (n) the conditional irrevocable undertakings dated 4 November 2019 provided by Landmark Profits and Goodco respectively, both of which are wholly-owned subsidiaries of the Company, to Eminence and Get Nice Securities Limited, as underwriter, in relation to, inter alia, the subscription in full of the provisional allotment of a total 147,866,132 EE Shares under the Rights Issue;
- (o) an amendment agreement dated 5 February 2020 entered into between Great Sail Global Limited, Fortunate Gravity Hongkong Limited, Queen’s Central Hongkong Holdings Limited, Theone Holdings Limited and Wang Jie in relation to, inter alia, the amendment of the Loan Agreement and extension of the maturity date of the Loan;

- (p) the confirmatory share charges dated 5 February 2020 entered into between Great Sail Global Limited and each of Fortunate Gravity Hongkong Limited, Queen's Central Hongkong Holdings Limited and Theone Holdings Limited respectively which confirms that the Loan will continue to be secured by the share charges dated 19 December 2018;
- (q) a confirmatory guarantee dated 5 February 2020 entered into between Great Sail Global Limited and Wang Jie which confirms that the Loan will continue to be secured by the deed of guarantee dated 19 December 2018; and
- (r) a tripartite agreement dated 20 February 2020 entered into between Charming Flash Limited, as transferor, Green Heyday Limited, as transferee, and Golden Glow Limited, as issuer, in relation to the sale and purchase of the Junior Notes for a total of transfer consideration of US\$4,700,000.

8. EXPERT AND CONSENT

The following is the qualification of the expert or professional adviser who has been named in this circular or has given its opinions or advice contained in this circular:

Name	Qualification
ZHONGHUI ANDA CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, the above expert did not have:

- (a) any direct or indirect interest in any assets which have been, since 31 March 2019 (being the date to which the latest published audited accounts of the Company 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 expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s) and the reference(s) to its name in the form and context in which they respectively appear.

9. GENERAL

- (a) The company secretary of the Company is Mr. Lee Po Wing, a practising solicitor since 1994.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company 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 the Company is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text to the extent of any inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company’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 the period of 14 days commencing from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company containing audited consolidated financial statements of the Company for the three years ended 31 March 2017, 2018 and 2019 and the interim report of the Company for the six months ended 30 September 2019;
- (c) the written consent referred to in the paragraph headed “Expert and Consent” of this appendix;
- (d) the material contracts referred to in the paragraph headed “Material Contracts” of this appendix;
- (e) the letter from ZHONGHUI ANDA CPA Limited, the reporting accountant, in respect of the accountant’s report on unaudited pro forma financial information, the text of which is set out in Appendix II to this circular;
- (f) the circular issued by the Company since 31 March 2019 pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules; and
- (g) this circular.