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If you have sold or transferred all your shares in **Eminence Enterprise Limited**, you should at once hand this circular with the accompanying proxy form to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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



EMINENCE ENTERPRISE LIMITED

高山企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS AND NOTICE OF SPECIAL GENERAL MEETING

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

AmCap
Ample Capital Limited
豐盛融資有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 7 to 27 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on page 28 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 29 to 52 of this circular.

It should be noted that dealings in the Rights Shares in their nil-paid form will take place from Friday, 10 January 2025 to Friday, 17 January 2025 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any persons contemplating dealings in the Shares from the date of the Announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and/or any dealings in the Rights Shares in their nil-paid form between Friday, 10 January 2025 to Friday, 17 January 2025 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

A notice convening the special general meeting (the “SGM”) of the Company to be held on Thursday, 19 December 2024 at 9:00 a.m., at which the above proposal will be considered, is set out in this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

The Rights Issue is on a non-underwritten basis. The Bermuda legal adviser of the Company has confirmed that there are no applicable statutory requirements regarding minimum subscription levels in respect of the Rights Issue. Nevertheless, the Rights Issue is subject to fulfilment of the conditions of the Rights Issue as set out in the section headed “Conditions of the Rights Issue” in this circular. If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed.

29 November 2024

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EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is for indicative purposes only and is subject to change. It has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled.

| Events | Date and Time 2024 (Hong Kong time) |
|---------------|--|
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| Latest time for lodging share transfer documents to qualify for attendance and voting at the SGM | 4:30 p.m. on Friday, 13 December |
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| Closure of register of members for the SGM | From Monday, 16 December to Thursday, 19 December (both dates inclusive) |
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| Latest date for lodging proxy forms for the SGM. | 9:00 a.m. on Tuesday, 17 December |
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| Date and time of the SGM | 9:00 a.m. on Thursday, 19 December |
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| Release of the SGM results announcement | Thursday, 19 December |
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| Register of members reopens | Friday, 20 December |
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| Last day of dealings in Shares on a cum-rights basis. | Tuesday, 24 December |
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|---|---------------------|
| First day of dealings in Shares on an ex-rights basis | Friday, 27 December |
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| Latest time for the Shareholders to lodge transfers of Shares in order to qualify for the Rights Issue | 4:30 p.m. on Monday, 30 December |
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| Closure of register of members for the Rights Issue | From Tuesday, 31 December 2024 to Tuesday, 7 January 2025 (both dates inclusive) |
|---|--|

2025 (Hong Kong time)

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| Record Date | Tuesday, 7 January |
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| Register of members of re-opens | Wednesday, 8 January |
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| Despatch of Prospectus | Wednesday, 8 January |
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| First day of dealings in nil-paid Rights Shares | Friday, 10 January |
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EXPECTED TIMETABLE

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|---|---------------------------------------|
| Latest time for splitting nil-paid Rights Shares | 4:30 p.m. on Tuesday, 14 January |
| Last day of dealings in nil-paid Rights Shares | Friday, 17 January |
| Latest time for the acceptance of, and payment for, the Rights Shares and the application for excess Rights Shares | 4:00 p.m. on Wednesday, 22 January |
| Announcement of the results of the Rights Issue | Monday, 3 February |
| Refund cheques despatched in relation to wholly or partially unsuccessful applications for excess Rights Shares | Tuesday, 4 February |
| Certificates for fully-paid Rights Shares to be despatched. | Tuesday, 4 February |
| Commencement of dealings in fully-paid Rights Shares. | 9:00 a.m. on Wednesday, 5 February |

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above or in other parts of this circular are indicative only and may be extended or varied. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate in accordance with the Listing Rules.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for Rights Shares and application and payment for excess Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, a “black” rainstorm warning signal and/or extreme conditions caused by a super typhoon is:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 22 January 2025. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 22 January 2025 . Instead, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on Wednesday, 22 January 2025, the dates mentioned in the timetable section above may be affected. The Company will notify the Shareholders by way of announcement of any change to the timetable as soon as practicable.

DEFINITIONS

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

| | |
|-------------------------|---|
| “2023 Convertible Note” | the 5% per annum coupon rate convertible note issued to Goodco by the Company in the principal amount of HK\$209,000,000 conferring rights to convert at any time before the fifth anniversary of the issue thereof the principal amount into Shares on the basis of a revised conversion price at present HK\$0.18 per conversion share (subject to adjustments) details of which were set out in the joint circular of Easyknit and the Company dated 21 January 2023, the circular of the Company dated 6 March 2024 and the announcement of the Company dated 17 April 2024 |
| “Announcement” | the announcement issued by the Company dated 15 October 2024 in relation to, among other things, the Rights Issue |
| “associates” | has the meaning ascribed thereto under the Listing Rules |
| “Board” | the board of the Directors |
| “Business Day(s)” | a day (other than a Saturday, Sunday and public holidays or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon) on which banks are open for business in Hong Kong |
| “BVI” | British Virgin Islands |
| “Company” | 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) |
| “connected person(s)” | has the meaning as ascribed thereto under the Listing Rules |
| “Directors” | the directors of the Company |
| “EAF(s)” | the excess application form(s) to be issued in connection with the Rights Issue |
| “Easyknit” | 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), and a Shareholder |

DEFINITIONS

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|---------------------------------|--|
| “Easyknit Group” | Easyknit and its subsidiaries |
| “Group” | the Company and its subsidiaries |
| “Goodco” | Goodco Development Limited, a company incorporated in the BVI with limited liability, the holder of the 2023 Convertible Note, an indirect wholly-owned subsidiary of Easyknit and a Shareholder |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | the independent board committee of the Board, comprising of Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Wu Koon Yin Welly, being all the independent non-executive Directors, established for the purpose of, among other things, advising the Independent Shareholders in respect of the Rights Issue and transactions contemplated thereunder |
| “Independent Financial Adviser” | Ample Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders relating to the Rights Issue and transactions contemplated thereunder |
| “Independent Shareholders” | the Shareholders, other than those who are required under the Listing Rules to abstain from voting at the SGM |
| “Irrevocable Undertaking” | the irrevocable undertaking dated 15 October 2024 from Goodco to the Company |
| “Last Trading Day” | 15 October 2024, being the date of the Announcement |
| “Latest Practicable Date” | Thursday, 21 November 2024, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein |
| “Latest Time for Acceptance” | 4:00 p.m. on Wednesday, 22 January 2025 as the latest time and date for acceptance of, and payment for, Rights Shares |
| “Listing Committee” | the listing committee appointed by the Stock Exchange for considering applications for listing and approving the listing of and dealing with securities on the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

DEFINITIONS

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|---------------------------------|---|
| “Main Board” | the main board maintained and operated by the Stock Exchange |
| “Non-Qualifying Shareholder(s)” | Overseas Shareholder(s) (if any) in respect of whom the Directors, based on legal opinions to be provided by legal advisers, consider it necessary or expedient not to offer the Rights Shares on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place |
| “Overseas Shareholder(s)” | shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong |
| “PAL(s)” | the provisional allotment letter(s) for the Rights Issue |
| “Posting Date” | Wednesday, 8 January 2025 as the date of despatch of the Prospectus Documents |
| “PRC” | the People’s Republic of China |
| “Previous Placing” | the offer by way of private placing of the placing shares by or on behalf of a placing agent to the placees, on a best effort basis, on the terms and subject to the conditions set out in the placing agreement dated 23 January 2024, details of which have been disclosed in the joint announcement and joint circular of Easyknit and the Company dated 23 January 2024 and 29 February 2024 respectively |
| “Prospectus” | the prospectus to be issued by the Company in relation to the Rights Issue |
| “Prospectus Documents” | the Prospectus, the PALs and the EAFs |
| “Qualifying Shareholder(s)” | the Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear on the register of members of the Company at the close of business on the Record Date |
| “Record Date” | Tuesday, 7 January 2025 as the date by reference to which entitlements to the Rights Issue are to be determined |
| “Registrar” | Tricor Secretaries Limited |

DEFINITIONS

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|----------------------------|--|
| “Revolving Loan” | the revolving loan facility of an amount not exceeding HK\$80,000,000 to be provided by the Group to the Easyknit Group pursuant to the Revolving Loan Agreement |
| “Revolving Loan Agreement” | the conditional revolving loan agreement dated 29 August 2023 in relation to the Revolving Loan |
| “Rights Issue” | the proposed issue of the Rights Shares by way of rights issue to the Qualifying Shareholders for subscription on the terms to be set out in the Prospectus Documents and summarized herein |
| “Rights Share(s)” | 676,296,232 Rights Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of two (2) Rights Shares for every one (1) existing Share held at the Record Date pursuant to the Rights Issue |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “SGM” | the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving, the Rights Issue |
| “Share(s)” | ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company |
| “Shareholders” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “substantial shareholder” | has the meaning ascribed thereto under the Listing Rules |
| “subsidiary” | a subsidiary for the purposes of the Listing Rules |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “%” | per cent. |

LETTER FROM THE BOARD



EMINENCE ENTERPRISE LIMITED

高山企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

Executive Directors:

Mr. Lai Law Kau

(Chairman and Chief Executive Officer)

Ms. Lui Yuk Chu *(Deputy Chairman)*

Mr. Kwong Jimmy Cheung Tim

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Mr. Kan Ka Hon

Mr. Lau Sin Ming

Mr. Wu Koon Yin Welly

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

Block A, 7th Floor

Hong Kong Spinners Building, Phase 6

481–483 Castle Peak Road

Cheung Sha Wan

Kowloon

Hong Kong

29 November 2024

To the Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON
THE BASIS OF TWO (2) RIGHTS SHARES
FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE
ON A NON-UNDERWRITTEN BASIS
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, (i) further information on the Rights Issue and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue; and (iv) a notice convening the SGM.

LETTER FROM THE BOARD

PROPOSED RIGHTS ISSUE

The Board proposes to raise up to approximately HK\$62.2 million before expenses by way of the issue to the Qualifying Shareholders of a maximum of 676,296,232 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) at the Subscription Price of HK\$0.092 per Rights Share on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date. The Rights Issue is available only to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

Issue statistics

| | | |
|---|---|--|
| Basis of the Rights Issue | : | Two (2) Rights Shares for every One (1) existing Share held by the Qualifying Shareholders on the Record Date |
| Subscription Price | : | HK\$0.092 per Rights Share |
| Number of Shares in issue as at the Latest Practicable Date | : | 338,148,116 Shares |
| Maximum number of Rights Shares to be issued under the Rights Issue (assuming the Rights Issue is fully subscribed) | : | 676,296,232 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) |
| Aggregate nominal value of the Rights Shares | : | Up to HK\$6,762,962 (assuming no change in the issued share capital of the Company on or before the Record Date other than the allotment and issue of the Rights Shares) |
| Maximum total number of issued Shares as enlarged by the Rights Issue (assuming the Rights Issue is fully subscribed) | : | Up to 1,014,444,348 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) be allotted and issued on or before completion of the Rights Issue) |
| Maximum amount to be raised before expenses (assuming the Rights Issue is fully subscribed) | : | Up to approximately HK\$62.2 million (assuming no changes in the number of Shares in issue on or before the Record Date) |
| Right of excess applications | : | Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotments |

Save for the outstanding 2023 Convertible Note, as at the Latest Practicable Date, the Company does not have any outstanding share options granted under any of its share option scheme or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Shares.

LETTER FROM THE BOARD

Assuming no change in the number of issued Shares on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 676,296,232 Rights Shares proposed to be provisionally allotted and issued pursuant to the Rights Issue represents approximately 200.00% of the issued share capital of the Company as at the Latest Practicable Date and will represent approximately 66.67% of the total number of issued Shares of the Company as enlarged by the issue of the Rights Shares.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. In the event that the provisional allotments for the Rights Issue are not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders together with the Rights Shares not provisionally allotted to the Non-Qualifying Shareholders and aggregated fractions of Rights Shares will be made available for excess application under the EAFs. There is no minimum subscription level or minimum amount to be raised under the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Qualifying Shareholder who applies to take up all or part of his/her/its entitlement under the Provisional Allotment Letter may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Qualifying Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Qualifying Shareholder (except for HKSCC Nominees Limited) for (i) his/her/its assured entitlement; and (ii) excess Rights Shares under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules.

Accordingly, if the Rights Issue is undersubscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full and Non-Qualifying Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

Basis of allotment

The basis of allotment will be two (2) Rights Shares for every one (1) existing Share held on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotments should be made by completing the PAL (in accordance with the instructions printed thereon) and lodging the same with a remittance for the Rights Shares being applied for with the Registrar, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, on or before the Latest Time for Acceptance, which is expected to be 4:00 p.m. on Wednesday, 22 January 2025.

Qualifying Shareholders who take up their pro rata assured entitlement in full will not suffer any dilution to their interests in the Company apart from any nominal dilution resultant from the non-issuance of fractional Rights Shares.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.092 per Rights Share, payable in full when a Qualifying Shareholder accepts the allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a premium of approximately 8.24% to the closing price of HK\$0.085 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 8.00% to the closing price of HK\$0.100 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 24.34% to the average closing price of approximately HK\$0.1216 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 25.99% to the average closing price of approximately HK\$0.1243 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 2.85% to the theoretical ex-rights price of HK\$0.0947 per Share after the Rights Issue, based on the closing price of HK\$0.100 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a discount of approximately 98.98% to the audited net asset value per Share of the Group of approximately HK\$9.011 per Share, which is calculated by dividing the audited net asset value of the Group of approximately HK\$3,047 million as at 31 March 2024 as shown in the Company's annual report for the year ended 31 March 2024 by the number of Shares in issue as at the Latest Practicable Date;
- (vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 21.30%, represented by the theoretical diluted price of approximately HK\$0.1064 per Share to the benchmarked price of approximately HK\$0.1352 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on 15 October 2024, being the Last Trading Day of HK\$0.100 per Share and the average of the closing prices as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Latest Practicable Date of approximately HK\$0.1352 per Share); and
- (viii) a cumulative theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) in aggregation with the Previous Placing represented by a discount of approximately 23.17%, represented by the cumulative theoretical diluted price of approximately HK\$0.1504 per Share to the theoretical benchmarked price of approximately HK\$0.1958 per Share in respect of the Previous Placing (as defined under Rule 7.27B of the Listing Rules).

LETTER FROM THE BOARD

The net price per Rights Share (after deducting the relevant estimated expenses) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.0905.

The Subscription Price was determined by the Company, having considered various factors including (i) the existing financial condition and imminent funding requirements of the Group; (ii) the recent market price of the Shares under the prevailing market conditions; (iii) the recent volatility of the capital market in Hong Kong; (iv) the necessity to increase the attractiveness of the Rights Issue by offering Qualifying Shareholders the opportunity to participate in the Rights Issue at a considerable discount to the current market prices of the Shares of the Company; and (v) the equal opportunity being offered to each of the Qualifying Shareholders for the subscription of the Rights Shares at the Subscription Price in proportion to his/her/its existing shareholding in the Company.

The Company is of the view that the market price of the Shares is the fundamental reference for the Qualifying Shareholders to consider whether to subscribe for Rights Shares. The huge discount to the Company's unaudited net asset value per Share is due to the fact that the Shares have been traded at a price representing a low price-to-book ratio (PB ratio), which is not uncommon for the property developers listed in Hong Kong. If the Subscription Price is set at a level close to the Company's audited net asset value per Share (i.e. approximately HK\$9.011 per Share), it will represent a huge premium of almost 90 times as compared to the price of Shares of HK\$0.100 on the Last Trading Day. In order to maintain the attractiveness of the Rights Issue and offer Qualifying Shareholders the opportunity to participate in the Rights Issue, it is necessary to set the Subscription Price at a considerable discount to the current market prices of the Shares, which is considered fair and reasonable from the view of the Directors.

The Company has reviewed the closing prices of the Shares during the six months period from 16 April 2024 and up to and including 15 October 2024, being the Last Trading Day (the "**Review Period**"), as a benchmark to reflect the prevailing market conditions and the recent trading performance of the Shares. From the commencement of the Review Period up to the end of the Review Period, the Shares were traded on the Stock Exchange with a closing price of HK\$0.201 to HK\$0.100 respectively, downed by approximately 50.25%. In addition, since 13 June 2024 (the date of the highest closing price of the Share of HK\$0.46 during the Review Period), the closing price of the Shares continued to fluctuate downward to HK\$0.100 at the end of the Review Period, representing a decrease of around 78.26%.

After taking into account the terms of the Rights Issue and the reasons for the Rights Issue as stated in the sections headed "Reasons for the Rights Issue and the Use of Proceeds" in this circular, the Directors (other than the members of the Independent Board Committee whose opinion will be set forth in this circular after considering the advice from the Independent Financial Adviser) consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when allotted, fully-paid and issued, shall rank pari passu in all respects with Shares then in issue, including as to the right to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares. Dealings in the Rights Shares will be subject to payment of stamp duty in Hong Kong.

LETTER FROM THE BOARD

No fractional entitlement to the Rights Issues

The Company will not provisionally allot fractions of Rights Shares in nil-paid form. All fractions of Rights Shares will be aggregated (and rounded down to the nearest whole number of a Share) and made available for excess application by Qualifying Shareholders under the EAFs.

Odd lot arrangement

No odd lot matching services will be provided.

Application for excess Rights Shares

The Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

The excess Rights Shares will comprise:

- (i) any Rights Shares provisionally allotted but not accepted by any of the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares prior to the Latest Time for Acceptance;
- (ii) any Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders; and
- (iii) any Rights Shares created from the aggregation of fractions of Rights Shares not provisionally allotted to the Qualifying Shareholders.

Application for excess Rights Shares can be made only by Qualifying Shareholders duly completing the EAFs (in accordance with the instructions printed thereon) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong on or before the Latest Time for Acceptance, which is expected to be 4:00 p.m. on Wednesday, 22 January 2025.

Qualifying Shareholders who wish to apply for excess Rights Shares in addition to their provisional allotments must complete both the PAL and the EAF.

The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis and on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to Rights Shares subscribed through applications by PAL(s) or the existing number of Shares held by Qualifying Shareholders. If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders under PAL(s) is greater than the aggregate number of excess Rights Shares applied for through EAF(s), the Directors will allocate in full to each Qualifying Shareholder the number of excess Rights Shares applied for under the EAF(s). In applying the above principles, reference will only be made to the number of excess Rights Shares being applied for. No preference will be given to topping up odd lots to whole board lots.

LETTER FROM THE BOARD

Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders and will not be available to the Non-Qualifying Shareholders on the Record Date. The Company will make available the Prospectus Documents to the Qualifying Shareholders on the Posting Date.

The Company will, to the extent permitted under the relevant laws and regulations and reasonably practicable, make available the Prospectus (without the PAL or the EAF) to the Non-Qualifying Shareholders (if any) for their information only.

To qualify for the Rights Issue, a Shareholder (i) must be registered as a member of the Company on the Record Date; and (ii) is not a Non-Qualifying Shareholder. In order to be registered as a member of the Company on the Record Date, a Shareholder must lodge the relevant transfer documents (with the relevant share certificates) with the Registrar at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by 4:30 p.m. on Monday, 30 December 2024.

The last day of dealings in the Shares on a cum-rights basis is Tuesday, 24 December 2024. The Shares will be dealt with on an ex-rights basis from Friday, 27 December 2024.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company.

Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares under the name of the beneficial owner(s) prior to the Record Date. For investors whose Shares are held by a nominee (or held in CCASS) and would like to have their names registered on the register of members of the Company on the Record Date, they must lodge the relevant transfer documents (with the relevant share certificates) with the Registrar at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 30 December 2024.

Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be accordingly diluted.

LETTER FROM THE BOARD

Rights of Overseas Shareholders (if any)

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Directors will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, after making such enquiries, the Directors are of the opinion that it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place to exclude such Overseas Shareholder(s) from the Rights Issue, no Rights Shares (whether in nil-paid or fully-paid form) will be offered to such Overseas Shareholder(s). In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholder(s). In such circumstances, the Company will make available the Prospectus and a letter, if any, explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue to the Non-Qualifying Shareholders for their information only but will not send the PAL and/or EAF(s) to them. The results of the enquiries and basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue, will be set out in the Prospectus. As at the Latest Practicable Date, no Overseas Shareholder is identified.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence on the Stock Exchange and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. Proceeds of each sale, less expenses and stamp duty, above HK\$100 will be distributed by the Company to the relevant Non-Qualifying Shareholders pro rata to their shareholdings on the Record Date (but rounded down to the nearest cent) in Hong Kong dollars. The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold nil-paid Rights Shares of the Non-Qualifying Shareholders will be made available for excess application by the Qualifying Shareholders.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 31 December 2024 to Tuesday, 7 January 2025 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue. No transfers of Shares will be made during this period.

LETTER FROM THE BOARD

Conditions of the Rights Issue

The Rights Issue is conditional upon, among other things, each of the following conditions:

- (i) the passing by the Independent Shareholders at the SGM of the relevant ordinary resolutions to approve the Rights Issue and the transactions contemplated thereunder in accordance with the Listing Rules by no later than the Posting Date;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms);
- (iii) the electronic delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents duly signed by all Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors no later than the Posting Date of the Prospectus Documents and other documents in compliance with the Companies (WUMP) Ordinance and otherwise complying with the requirements of the Listing Rules and the Companies (WUMP) Ordinance;
- (iv) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Posting Date;
- (v) compliance with and performance of undertakings and obligations of Goodco under the Irrevocable Undertaking in all material respects;
- (vi) there shall not have occurred and be continuing any of the following:
 - (a) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Company in any material respect affect the success of the Rights Issue (such success being the taking up of the Rights Shares by the Shareholders or the transferees of the nil-paid rights) or otherwise in the absolute opinion of the Company makes it inexpedient or inadvisable or inappropriate for the Company to proceed with the Rights Issue; or
 - (b) any event of force majeure including, without limiting the generality thereof, any act of God, war, fire, flood, explosion, epidemic, terrorism, which in any material respect adversely affect the business or the financial or trading position or prospects of the Company and its subsidiaries considered as a whole or the Rights Issue; or

LETTER FROM THE BOARD

- (c) any other material adverse change in relation to the business or the financial or trading position or prospects of the Company and its subsidiaries considered as a whole occurs, whether or not of the same kind with any of the foregoing; or
- (d) any suspension in the trading of the securities generally or the Company's securities on the Stock Exchange for a period of more than 30 consecutive trading days occurs, excluding any halt or suspension in connection with the clearance of the announcement or circular or prospectus of the Company for the Rights Issue or other announcements or circulars in connection with the Rights Issue.

Save for conditions (v) and (vi) which can be waived (conditionally or unconditionally) by the Company, none of the above conditions can be waived. As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms). No part of the securities of the Company is listed or dealt in and listing or permission to deal in then is being or is proposed to be sought on any other stock exchange.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

The nil-paid Rights Shares and fully-paid Rights Shares will be traded in board lots of 5,000. Dealings in the Rights Shares in both nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong branch share registrar will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Irrevocable Undertaking

As at the Latest Practicable Date, Goodco held outstanding 2023 Convertible Note which is convertible into 1,161,111,111 Shares at an adjusted current conversion price of HK\$0.18 per conversion Share (subject to adjustments) pursuant to the terms and conditions of the 2023 Convertible Note. Goodco has undertaken it will not exercise any conversion rights under the 2023 Convertible Note or transfer the 2023 Convertible Note before close of business on the Record Date.

As at the Latest Practicable Date, the Board has not received any information or irrevocable undertaking from any Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming Goodco will not exercise any conversion rights under the 2023 Convertible Note pursuant to the Irrevocable Undertaking and no new Shares will be issued before completion of the Rights Issue other than the Rights Shares, for illustration purpose only, the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue assuming (a) none of the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares; or (b) all Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full are expected to be as follows:

| | As at the Latest Practicable Date | | Immediately upon the completion of the Rights Issue assuming none of the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares | | Immediately upon the completion of the Rights Issue assuming all Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full | |
|---------------------|-----------------------------------|----------------------|---|----------------------|---|----------------------|
| | <i>Number of Shares</i> | <i>Approximate %</i> | <i>Number of Shares</i> | <i>Approximate %</i> | <i>Number of Shares</i> | <i>Approximate %</i> |
| Public Shareholders | 338,148,116 | 100.00% | 338,148,116 | 100.00% | 1,014,444,348 | 100.00% |
| Total | 338,148,116 | 100.00% | 338,148,116 | 100.00% | 1,014,444,348 | 100.00% |

Note: The 1,161,111,111 Shares underlying the 2023 Convertible Note have not been added to the total amount or percentage in the table above.

POSSIBLE ADJUSTMENTS TO THE CONVERTIBLE NOTE

As at the Latest Practicable Date, the Company has outstanding 2023 Convertible Note which is convertible into 1,161,111,111 Shares at an adjusted current conversion price of HK\$0.18 per conversion Share (subject to adjustments) pursuant to the terms and conditions of the 2023 Convertible Note. Under the relevant terms and conditions of the 2023 Convertible Note, the Rights Issue may lead to adjustment to the conversion price and the number of the Shares falling to be issued upon conversion of the 2023 Convertible Note.

The Company will make further announcement on such adjustment as and when appropriate. Save for the aforesaid, as at the Latest Practicable Date, the Company has no other outstanding options, warrants or securities in issue which are convertible or exchangeable into the Shares.

LETTER FROM THE BOARD

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

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: 616). The Group is principally engaged in property development, property investment, investment in securities and others and loan financing businesses.

The refinancing of a HK\$464.2 million outstanding flipper term loan, which has just been finalised in September 2024, relates to a commercial development in Matheson Street, Causeway Bay, Hong Kong (the “**Matheson Project**”). As set out in the Company’s circular related to the Previous Placing, HK\$35 million of the proceeds from the Previous Placing was planned to repay part of the HK\$500 million construction loan related to Matheson Project. It is confirmed that such proceed was utilized as its planned use.

The HK\$500 million construction loan has been renewed in September 2024 as the HK\$464.2 million flipper term loan with maturity date on 16 September 2025. Discussions for finalising the term sheet were done during July to September 2024. According to the new flipper term loan, HK\$15.0 million has to be repaid after six months from the utilization date, which is repayable in February 2025.

This further partial loan repayment of HK\$15.0 million related to Matheson Project is unexpected in February 2024. Although the previous partial repayment of HK\$35.0 million was requested before February 2024 by the bank (as stated in the Company’s circular related to the Previous Placing), the term sheet for the flipper term loan was just finalized in September 2024 and hence the partial loan repayment of HK\$15.0 million was formally requested and confirmed in September 2024 which is around seven months from the end of February 2024.

The Matheson Project is available to the market and the Group has been actively seeking for potential buyers of this property. As at 31 March 2024, its value recorded as properties held for sale was approximately HK\$1,066 million. However, due to the prevailing market condition, no favourable offer has been reached up to the moment. Therefore, the Group has maximized its return by leasing out the units of Matheson Project. The current occupancy rate is around 34.3% and the tenancy agreements were entered during April to November 2024. The rental return rate (assuming all of the units are rented out) is around 2.2% per annum. The rental income generated during April to November 2024 is less than HK\$2.0 million which was utilized for general working capital purpose.

It is also likely that other bank(s) may require partial settlement to the outstanding construction loan when being refinanced (which is similar to the aforesaid flipper term loan). The Group has indicated its intention to refinance to the bank(s) and is awaiting finalised terms from the bank(s). The expected amount of partial repayments in total (in addition to the aforesaid partial repayment of HK\$15.0 million) is around HK\$35.0 million.

The amount of partial repayments of around HK\$35.0 million includes partial repayments for (i) a construction project in King Lam Street (the “**King Lam Street Project**”) with a construction loan of HK\$300.4 million; and (ii) a construction project in Castle Peak Road (the “**Fung Wah Project**”) with a construction loan of HK\$328.9 million.

LETTER FROM THE BOARD

The HK\$300.4 million construction loan related to the King Lam Street Project will expire in December 2024 and it is being refinanced which the bank requested HK\$15.0 million to be repaid in December 2024. Such partial repayment was requested by the bank in October 2024.

Although it is stated in the Company's circular related to the Previous Placing that the partial repayment for the HK\$300.4 million loan related to King Lam Street Project may be required and such loan is expected to expire in December 2024, the possibility, amount and timing of such request as well as the refinancing terms were not able to be predicted in February 2024. The partial repayment of HK\$15.0 million was only formally requested by the bank in October 2024 subsequent to rounds of discussions with the banks after February 2024. The Company did not expect the refinancing process would be that lengthy because it considered that the refinancing would be granted efficiently with the completed project, as a tangible asset with considerable market value, being pledged to the bank.

The HK\$328.9 million construction loan related to the Fung Wah Project will mature in July 2026 and it is being refinanced which the bank requested HK\$20.0 million to be repaid in the first quarter of 2025. Such partial repayment was requested by the bank starting in August 2024.

The HK\$20.0 million partial loan repayment related to the HK\$328.9 million construction loan for the Fung Wah Project, which will mature in July 2026, was not expected in February 2024 since the maturity date is far from February 2024. Such partial repayment was just requested by the bank in August 2024 subsequent to rounds of discussions with the banks after February 2024.

The abovementioned partial repayment of HK\$15.0 million and other partial repayments of around HK\$35.0 million to the outstanding loans when being refinanced is the major change in circumstance leading to the Rights Issue after publication of the circular in relation to the Previous Placing.

These partial repayments are a condition proposed by a bank or financial institution in refinancing the loan for extended loan tenors and refreshed repayment terms. The loans may not be refinanced if the Group does not agree to such repayments and the Group will have to repay the loan in full or seek other banks to refinance such loan. The Company is of the view that the whole negotiation process for the partial repayment is time consuming and the possibility, actual amount and repayment schedule were not able to be accurately estimated until the term sheets could be almost finalized at the very final stage of negotiation during the process. In other words, the key terms of refinancing were uncertain until the final stage of negotiation.

If the aforesaid HK\$15.0 million partial repayment and other partial repayments of around HK\$35.0 million are financed out of internal available funds, the Group may not have sufficient funding to support its daily operations, principal and interest payments of loan, construction related costs, the partial repayments which may also be required for the other loans as well as maintaining its capability for capturing suitable opportunities in the markets in order to support its future development at the same time.

LETTER FROM THE BOARD

Although it is mentioned in the Company's circular related to the Previous Placing that the HK\$35.0 million partial repayment for the loan related to Matheson Project is needed and the partial repayment for the HK\$300.4 million loan related to King Lam Street Project may be required, it was not feasible to accurately estimate whether any additional partial loan repayment would be required by the banks at the time of February 2024 since the preferences of the banks, economic environment and property market in Hong Kong has been changing since that time. While the Group prepared to set aside around HK\$10.0 million for the potential repayment required to refinance the HK\$300.4 million loan related to King Lam Street Project in February 2024, the fund was used to repay other non-construction loans after February 2024 with a view to reducing interest expense in view of the high-interest rate environment. Any estimation of the Group's need for fund raising could only be based on the objective factors available at the time of making the estimation. The Company considers that the preference and credit assessment of a bank is very sensitive to any change in the expected economic growth of Hong Kong as well as the industry related to its client's business operation, and therefore the potential of being requested for partial repayment by a bank is not possible to be precisely estimated, including the time and amount.

The Company has considered other fund-raising methods including debt financing and/or other equity financing options. However, the Company is of the view that obtaining further debt financing, such as bank borrowings from other banks, will depend on the prevailing market condition, and may be subject to lengthy due diligence and loan application processes. In addition, debt financing will impose additional interest burden on the Group which will, in turn, worsen the Group's financial performance and position.

In regard to a private placing of equity, the Company is of the view that it would cause a material dilution effect to the shareholding of the existing Shareholders as it would involve the issue of a substantial amount of new Shares at a discount to external parties and the existing Shareholders would not have the opportunity to participate in the placing.

The Company also considers that the Rights Issue will allow the Group to strengthen its capital base without incurring interest costs and will give the Qualifying Shareholders the opportunity to further invest in the equity of the Company at a favourable discount while maintaining their respective pro-rata shareholding interests and voting rights in the Company. On top of that, the Rights Issue will materially improve the net asset value per share of the Company. Hence, the Company considers that fund raising of this scale through the Rights Issue is in the best interests of the Company and the Shareholders as a whole.

The Company has also considered various options to finance the proposed repayment of loan, including utilization of surplus funds, asset realization and demanding repayment of the Revolving Loan from Easyknit.

LETTER FROM THE BOARD

As at 31 August 2024, the Group had cash balance of approximately HK\$232.4 million, of which approximately HK\$77.2 million was considered unavailable amount retained in the PRC (which was already used for loan settlement in October 2024), leaving available amount to be approximately HK\$155.2 million (of which HK\$35.0 million was used in September 2024 for the aforesaid partial repayment related to Matheson Project as disclosed in the Company's circular related to the Previous Placing). Apart from the partial repayment of HK\$15.0 million and other partial repayments of around HK\$35.0 million mentioned above, the Company has to set aside funds to prepare for other partial repayments required, if any, to refinance other loans. Besides, sufficient funds should be retained to support the recurring operations of the Group and finance cost of the development projects. The approximately HK\$120.2 million was set aside to support the Group's recurring operations, including (i) approximately HK\$67.3 million which was reserved only for construction cost payments and construction loan interest payments for three construction projects (as requested by banks): the Fung Wah Project with a total reserve amount including construction cost and loan interest reserve of approximately HK\$47.5 million, the Matheson Project with a total reserve amount just including loan interest payment reserve of approximately HK\$13.5 million and a construction project in Kennedy Town (the "**Kennedy Town Project**") with a total reserve amount just including loan interest payment reserve of approximately HK\$6.3 million; (ii) an amount of approximately HK\$28.0 million for non-construction loan repayment which was completed in September 2024; and (iii) the remaining amount mainly for other operation expenses such as staff cost and administrative expenses.

The Company considers that interest reserve is a common requirement for the construction loans granted to the Group. Such requirement would be imposed on the effective date of a construction loan and the borrower was requested to reserve cash in a designated account, that cannot be used for any other purpose, for the expected interest payments for the upcoming months. For the construction loans granted to the Group, three to six months of project interest payable must be maintained in the account as requested by banks.

Although the Group was able to schedule the interest reserve for each respective construction loan in February 2024, the future cash position (which refers to the quantity of cash or any assets that can be converted to cash held by the Group within a period of time) may be unable to be precisely estimated at that time given that the actual property market performance may deviate from the Group's expectation due to uncertainties. Since no significant favourable offer could be reached for both Matheson Project and King Lam Street Project (which is not predictable in February 2024), the Group's immediate availability of funds after February 2024 varied from expected.

As regard asset realization, the Group considers that such a step may have to go through a lengthy process, the timing of which may not match with that required for the loan repayment to banks. Besides, the disposal of the assets may not be favourable and justified given the current market conditions. Offering the completed projects for sale whether by en bloc or strata sale anytime is always a key option taken by the Group when opportunities arise and as long as there is favourable offer. Before that happens, the Group will maximize its return by leasing out the properties for rental purpose. Although the disposal of a property in Singapore has been completed, the remaining net proceed of around HK\$59.0 million from such disposal (after deducting the loan repayment of approximately HK\$11.8 million relating to that property) was planned for construction loan interest payments with a total amount of approximately HK\$45.2 million related to the Matheson Project, Fung Wah Project, King Lam Street Project and Kennedy Town Project, and other leasing properties interest payments with a total amount of approximately HK\$15.4 million for the coming six months.

LETTER FROM THE BOARD

The Company considers that the uncertainties on the Hong Kong property industry has been increasing after February 2024 and other uncertainties such as volatility in the Hong Kong financial market, inflationary pressures and interest rates also affect the expectation on the overall Hong Kong economic prospects, which in turn affects the overall confidence of the potential property buyers in Hong Kong who tend to be more conservative when making purchase decisions.

While the Group remains prudently optimistic about the prospects of the property market in Hong Kong and believes the market will continue to grow in the long term, it was difficult to accurately predict how satisfactory the property sales can be made as at February 2024 due to the changing property market and economic factors. Since the receipt of occupation permits of Matheson Project and King Lam Street Project, the Group has been actively seeking for potential buyers of the properties but unfortunately no significant favourable offer could be reached. In the event that both properties can be sold whether by en bloc or strata sale at favourable price after February 2024, the Company believes that the cashflow of the Group would be enhanced. However, it is not abnormal that the Group's expectation in February 2024 differs from the actual property market performance in certain extent given the uncertainties and changing environment as mentioned above.

Further, the outstanding Revolving Loan balance drawn by the Easyknit Group could only be demanded to be repaid at the maturity of any interest period which is three months from the drawdown date. Loan balance granted to the Easyknit Group under the Revolving Loan Agreement was HK\$70.0 million as at 31 August 2024. The Company understands that it has the ultimate right, which is a very common term for any loan agreement entered by lender including bank and financial institution in Hong Kong, to demand Easyknit Group to repay the Revolving Loan anytime before the maturity date (20 November 2025). However, in reality, this kind of right for demanding immediate repayment is seldom executed without several rounds of preliminary negotiations between the lender and the borrower. Even the borrower agrees to fulfill the lender's demand for repayment, partial repayment is usually accepted by the lender and the whole negotiation would take months to complete before the consensus is reached by both the lender and borrower.

The Company notified Easyknit Group at the maturity of interest period in October 2024 for repaying the Revolving Loan before the maturity date, 20 November 2025, and the Company has (i) considered using all appropriate means (including sending a formal demand notice) to settle the Revolving Loan; and (ii) decided to keep requesting Easyknit Group to settle the Revolving Loan. The Company has no intention to provide further financing to Easyknit Group under the Revolving Loan Agreement. Having considered that (i) the amount to be recovered may be a partial repayment, which may be less than the expected net proceeds from the Rights Issue assuming the Rights Shares are fully taken up; (ii) the whole negotiation process for early repayment would take time to handle, which is estimated being not less lengthy than the process of Rights Issue; and (iii) the existing financial condition and imminent funding requirements of the Group (including the time and amount of partial repayments requested by the banks), the Company is of the view that (i) it is reasonable to have fund raising by Rights Issue; and (ii) proceeding the demand for the repayment of the Revolving Loan and the Right Issues simultaneously is in the interests of the Company.

LETTER FROM THE BOARD

The Company considers that loan financing business is one of Group's business segments and the provision of the Revolving Loan, which is a commercial decision, allows the Group to better allocate its resources and generate revenue by earning interest income. Moreover, the higher interest rate in the Revolving Loan than fixed deposits allows the Group to better utilize its resources for generating more income. It is confirmed that the working capital projections of the Group were reviewed and considered before granting the Revolving Loan, and therefore the liquidity and financial position of the Group was not adversely and materially affected as at the drawdown date. Set out below is a table showing the dates and amounts of drawdowns, which was at the Company's discretion, happened after February 2024 and up to 31 August 2024.

| | Amount (HK\$) | Drawdown date |
|---|----------------------|----------------------|
| 1 | 5,000,000 | 21 March 2024 |
| 2 | 10,000,000 | 2 April 2024 |
| 3 | 15,000,000 | 22 April 2024 |
| 4 | 5,000,000 | 3 May 2024 |
| 5 | 10,000,000 | 23 July 2024 |

Since the receipt of occupation permit of Matheson Project in February 2024 and the expected completion date of King Lam Street Project in May 2024 was getting close, the Group estimated that at least some property sales may happen. Furthermore, sales enquires for both projects were actually received after February 2024 and one unit in King Lam Street Project was sold in March 2024 on a pre-sale basis. A letter of intent for purchasing the whole block in Matheson Project was also received by the Group from a potential buyer represented by its legal adviser. Although the HK\$300.4 million construction loan related to King Lam Street Project was expected to expire in December 2024, the Company expected the refinancing would be granted efficiently with the completed project, as a tangible asset with considerable market value, being pledged to the bank.

As a result, after considering the property sales expectation of at least around 5.5% of the expected sales value of approximately HK\$2.0 billion at that time and the relevant cash inflows to be brought by the expected sales as well as the cash balance of the Group as at each drawdown date, further financing to the Easyknit Group was provided under the Revolving Loan Agreement due to the reasons mentioned above. It is also confirmed that there was no disruption to the Group's business operations caused by the drawdowns and all proceeds from the Previous Placing were utilized as planned.

In addition to the Group's financial position and available cash resources, when deciding whether the drawdowns should be accepted by the Company (especially the drawdown in July 2024), the future cashflows to be brought by the announced disposals of investment properties in late June and July 2024 respectively (including the disposal of a property in Singapore as mentioned above) were also taken into account. Although these cashflows were planned mainly for supporting the recurring operations of the Group, such as construction loan interest payments and other leasing properties interest payments in the future as abovementioned, a portion of the cashflows was planned for general working capital which enhanced the Group's ability to accept the drawdowns by potentially improving the Group's future cash position from the view of the Company.

LETTER FROM THE BOARD

Although no significant favourable offer could be reached for both Matheson Project and King Lam Street Project afterward, it is not abnormal that the Group's previous expectation differs from the actual property market performance in certain extent given the uncertainties and changing environment as mentioned above.

The Company considers that the Group's ordinary business operations were not adversely and materially affected by the aforesaid drawdowns and, as mentioned above, the working capital projections (which considered the cash inflows to be brought by the expected property sales and the announced disposals of investment properties) of the Group were reviewed and considered.

Having considered the above options, the Company is of the view that the Rights Issue would be a more direct and effective way of raising funds for the Group to meet the forthcoming loan repayment needs, which in turn improves its capability for capturing suitable opportunities in the markets in order to support its future development.

Assuming all Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full, it is expected that the maximum gross and net proceeds (after deducting the relevant estimated costs and expenses of the Rights Issue) from the Rights Issue will be approximately HK\$62.2 million and HK\$61.2 million respectively. The Company intends to use the net proceeds of approximately HK\$61.2 million, of which approximately HK\$50.0 million for repayment of the Group's bank loan(s) and the remaining balance of approximately HK\$11.2 million for general working capital of the Group. In the event of an undersubscription of the Rights Issue, the net proceeds will be utilized on a pro-rata basis as set out above.

The Company is of the view that the Right Issues will strengthen the financial position of the Company and provide funding to the Company to repay part of the outstanding bank loan(s) and lower the gearing ratio of the Group. For the avoidance of doubt, the Rights Issue was not contemplated at the time of publication of the Company's circular in relation to the Previous Placing. After the completion of the Previous Placing, the Company has been continually monitoring the status of the use of proceeds from the Previous Placing. As at the Latest Practicable Date, all of the net proceeds from the Previous Placing had already been utilized. Moreover, as mentioned above, (i) approximately HK\$155.2 million was set aside to support the Group's recurring operations; (ii) approximately HK\$77.2 million retained in the PRC was also used for loan repayment once it was available; and (iii) the net proceed from the disposal of a property in Singapore of around HK\$59.0 million was planned for construction loan interest payments and other leasing properties interest payments for the coming six months. Despite the close proximity of the Previous Placing and the Rights Issue, taking into account the factors mentioned above and the prompt utilization of the proceeds from the Previous Placing, the Company is of the view that it has imminent need to raise further proceeds through the Rights Issue.

As at the Latest Practicable Date, the Company has no plan or intention to carry out any future fund raising in the next twelve months, after taking into account all its liabilities (including repayment of bank loans for construction projects) which would mature in the corresponding period and the current economic and market conditions. However, as mentioned above, the uncertainties on the Hong Kong property industry, volatility in the Hong Kong financial market, inflationary pressures and interest rates have been increasing, and therefore the Group's funding need can only be estimated on a best effort basis based on the information available as at the Latest Practicable Date. As a result, since the economic environment, property market development and the banks' preferences in Hong Kong will keep changing or will even change to an extent over than expected, the funding needs of the Group in future may deviate from its anticipation as at the Latest Practicable Date.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES OF THE COMPANY FOR THE PAST TWELVE MONTHS

The following table sets out the fund raising activities of the Company during the past twelve months immediately before the Latest Practicable Date:

| Date | Equity fund raising activity | Net proceeds raised | Proposed use of net proceeds | Actual use of net proceeds |
|--|--|---------------------|---|--|
| 23 January 2024 (announcement) and 29 February 2024 (circular) | Placing of new shares under specific mandate | HK\$41,877,000 | For repayment of the Group's bank loan(s) | All proceeds were fully utilized as intended |

Save as disclosed above, the Company has not conducted any other equity fund raising activity in the past twelve months immediately before the Latest Practicable Date.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the number of Shares by more than 50%, the Rights Issue is subject to the approval of the Independent Shareholders at the SGM by way of poll. In compliance with Rule 7.27A of the Listing Rules, the Rights Issue is conditional on approval by the Shareholders in the SGM by a resolution on which any controlling Shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. As at the Latest Practicable Date, as there are no controlling Shareholders and none of the Directors and the chief executive of the Company and their respective associates hold any Shares, no Shareholder would be required to abstain from voting in favour of the ordinary resolution to approve the Rights Issue at the SGM.

The Independent Board Committee, comprising of Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Wu Koon Yin Welly, being all the independent non-executive Directors, has been established for the purpose of, among other things, advising the Independent Shareholders in respect of the Rights Issue and transactions contemplated thereunder. An Independent Financial Adviser has been appointed to the Independent Board Committee and the Independent Shareholders to advise the Independent Board Committee and the Independent Shareholders on the Rights Issue and transactions contemplated thereunder.

LETTER FROM THE BOARD

THE SGM

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Rights Issue and the transactions contemplated thereunder. A notice convening the SGM is set out on pages SGM-1 to pages SGM-3 of this circular. A form of proxy for use at the SGM is enclosed herewith.

Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Registrar at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time scheduled for the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or any adjourned meeting thereof should you so wish.

The register of members of the Company will be closed from Monday, 16 December 2024 to Thursday, 19 December 2024 (both days inclusive) for determining the eligibility of the Shareholders to attend and vote at the SGM. In order to qualify for attendance and voting at the SGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Registrar at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Friday, 13 December 2024.

In compliance with the Listing Rules, all the resolutions to be proposed at the SGM will be voted on by way of poll at the SGM.

Subject to the approval of the Rights Issue by the Independent Shareholders at the SGM, the Prospectus containing further information regarding, among other things, the Rights Issue (including information on acceptances of the Rights Shares), PALs and EAFs is expected to be despatched to the Qualifying Shareholders on Wednesday, 8 January 2025.

RISKS OF DEALING IN SHARES AND RIGHTS SHARES

The Rights Issue is subject to the fulfilment of conditions including the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. If the conditions to the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any Shareholder or other person dealing in Shares and/or Rights Shares up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not proceed.

Subject to the fulfilment of conditions, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. Accordingly, if the Rights Issue is undersubscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full and Non-Qualifying Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and/or the Rights Shares.

LETTER FROM THE BOARD

RECOMMENDATION

The Board is of the opinion that the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the respective resolutions to approve the Rights Issue and the transactions contemplated thereunder at the SGM.

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 Group. 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.

Yours faithfully,
By order of the Board
EMINENCE ENTERPRISE LIMITED
Lai Law Kau
Chairman and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



EMINENCE ENTERPRISE LIMITED

高山企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

29 November 2024

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

We refer to the circular of the Company dated 29 November 2024 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether, in our opinion, the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to recommend how the Independent Shareholders should vote at the SGM. Details of the Rights Issue are set out in the “Letter from the Board” on pages 7 to 27 of the Circular.

Ample Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice, together with the principal factors taken into consideration in arriving thereat, are set out in its letter on pages 29 to 52 of the Circular.

Having taken into account the terms of the Rights Issue, the information contained in the Circular and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution approving the Rights Issue at the SGM.

Yours faithfully,

For and on behalf of
the Independent Board Committee

Mr. Kan Ka Hon

Mr. Lau Sin Ming

Mr. Wu Koon Yin Welly

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the transactions contemplated thereunder for the purpose of incorporation into this Circular.

AmCap
Ample Capital Limited
豐盛融資有限公司

Ample Capital Limited
Room 903, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

29 November 2024

*To the Independent Board Committee and
the Independent Shareholders of
Eminence Enterprise Limited*

Dear Sirs,

**PROPOSED RIGHTS ISSUE ON
THE BASIS OF TWO (2) RIGHTS SHARES
FOR EVERY ONE (1) EXISTING SHARE HELD ON RECORD DATE
ON A NON-UNDERWRITTEN BASIS**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to (i) advise the Independent Board Committee and the Independent Shareholders in respect of whether the terms of the Rights Issue are fair and reasonable as far as the Independent Shareholders are concerned; (ii) give our recommendation as to whether the Rights Issue is in the interest of the Company and the Shareholders as a whole; and (iii) advise the Independent Shareholders on how to vote at the SGM. Details of the Rights Issue are set out in the section headed “Letter from the Board” (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 29 November 2024, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless the context requires otherwise.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reference is made to the Announcement, in relation to, among other things, the Rights Issue. The Company proposes to raise gross proceeds of up to approximately HK\$62.2 million by way of the issue of up to 676,296,232 Rights Shares at the Subscription Price of HK\$0.092 per Rights Share on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date. The Rights Issue is not underwritten and is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

LISTING RULES IMPLICATION

As the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to approval by the Independent Shareholders at the SGM by poll in accordance with the requirements of Rule 7.19A(1) of the Listing Rules and any Controlling Shareholder and the respective associates or where there is no controlling Shareholder, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue. As at the Latest Practicable Date, as there are no controlling Shareholders and none of the Directors and the chief executive of the Company and their respective associates hold any Shares, no Shareholder would be required to abstain from voting in favour of the ordinary resolution to approve the Rights Issue at the SGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Wu Koon Yin Welly, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the SGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company or any of its respective substantial shareholders, directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue. In the last two years, we have not acted in any financial adviser role to the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With regards to our independence from the Company, it is noted that (i) apart from the normal professional fees paid to us in relation to the current appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or other parties that could reasonably be regarded as relevant to our independence; and (ii) the aggregate professional fees paid/to be paid to us do not make up a significant portion of our revenue during the relevant period which would affect our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect of the Rights Issue pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the Company's annual report for the financial year ended 31 March 2024 (the "**2024 Annual Report**"); (iii) other information provided by the Directors and/or the senior management of the Company (the "**Management**"); (iv) the opinions expressed by and the representations of the Directors and the Management; and (v) our review of the relevant public information. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made, or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have assumed that the Rights Issue will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Rights Issue, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Rights Issue. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in relation to the Rights Issue, we have taken into account the following principal factors and reasons:

1. Background information of the parties

1.1 Background information and financial overview of the Group

As stated in the Letter from the Board, the Group is principally engaged in property development, property investment, investment in securities and others and loan financing businesses. Certain summary financial information of the Group as extracted from the 2024 Annual Report for the two years ended 31 March 2024 and 2023 (“FY2024” and “FY2023” respectively) is set out below:

| | For the year ended 31 March | |
|---|------------------------------------|-----------------|
| | 2024 | 2023 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (audited) | (audited) |
| Revenue | 30,693 | 27,194 |
| Gross profit | 27,173 | 24,225 |
| (Loss) profit attributable to owners of the Company | (213,149) | 63,572 |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's consolidated revenue increased from approximately HK\$27.2 million for FY2023 to approximately HK\$30.7 million for FY2024, representing an increase of approximately HK\$3.5 million or 12.9%. For FY2024, the Group recorded a loss attributable to owners of the Company of approximately HK\$213.1 million as compared to a profit attributable to owners of the Company of approximately HK\$63.6 million for FY2023. The loss during the year was mainly attributed to (i) recorded a write-down on properties held for development for sale, net of approximately HK\$102.9 million in FY2024 compared to a write-back on properties held for development for sale, net of approximately HK\$40.4 million in FY2023; (ii) increased in administrative expenses from continuing operations of the Group by approximately HK\$11.4 million; and (iii) increased in finance costs of approximately HK\$32.1 million.

| | As at 31 March | |
|---|----------------|-----------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| | (audited) | (audited) |
| Cash and cash equivalents | 299,717 | 354,002 |
| Current assets | 4,047,899 | 3,816,027 |
| Net current assets | 2,797,639 | 3,318,221 |
| Total assets | 5,408,807 | 5,624,267 |
| Current liabilities | 1,277,260 | 867,920 |
| Total liabilities | 2,361,611 | 2,389,101 |
| Net assets attributable to owners of the Company | 3,047,196 | 3,235,166 |

As at 31 March, 2024, the Group recorded cash and cash equivalents amounting to approximately HK\$299.7 million (31 March 2023: approximately HK\$354.0 million) and the net current asset value was approximately HK\$3,047.2 million (31 March 2023: approximately HK\$3,235.2 million).

As at 31 March 2024, the Group has total bank borrowings of approximately HK\$2,066.7 million (31 March 2023: approximately HK\$1,871.9 million). The Group's gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders' equity, was approximately 0.7 (31 March 2023: approximately 0.6). As at 31 March 2024, the Group's current ratio was approximately 3.2 (31 March 2023: approximately 4.8).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Reasons for the proposed Rights Issue and use of proceeds

2.1 Funding needs

With reference to the Letter from the Board, the Group expected to make a total of approximately HK\$50.0 million for the partial repayment of the outstanding flipper term loan and other potential payment of the construction loan(s). The following table shows the breakdown of outstanding flipper term loan and other potential payment of the construction loan(s), including but not limited to, the outstanding balance, interest rates, and the maturity and the demanded repayment dates and amount.

| | Outstanding balance | Interest rates | Maturity | Repayment date and amount |
|---|----------------------------|-----------------------|-------------------|--------------------------------------|
| 1 | HK\$464.2 million | HIBOR + 1.8% | 16 September 2025 | February 2025 HK\$15 million |
| 2 | HK\$300.4 million | HIBOR + 1.75% | 28 December 2024 | December 2024 HK\$15 million |
| 3 | HK\$328.9 million | HIBOR + 1.48% | July 2026 | First quarter 2025 HK\$20 million |

Such repayments have been formally requested by the banks in August, September and October 2024. Also, the partial repayment and other partial repayment are a condition proposed by a bank or financial institution in refinancing the loan for extended loan tenors and refreshed repayment terms. The loans may not be refinanced if the Group does not agree to such repayments and the Group will have to repay the loan in full or seek other banks to refinance such loan.

Further, with reference to the Letter from the Board, assuming full subscription under the Rights Issue, the Company intends to use the net proceeds of approximately HK\$61.2 million as follows:

- approximately 81.7% of the net proceeds (approximately HK\$50.0 million) will be used for repayment of the Company's bank loan; and
- approximately 18.3% of the net proceeds (approximately HK\$11.2 million) will be used for general working capital of the Group.

In the event of an undersubscription of the Rights Issue, the net proceeds will be utilised on a pro-rata basis as set out above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.2 Our view on the reason for the Rights Issue and the intended use of proceeds

With reference to the Letter from the Board, the cash and bank balances of the Group amounted to only approximately HK\$232.4 million as at 31 August 2024, of which approximately HK\$77.2 million was considered unavailable amount retained in the PRC (which was already used for loan settlement in October 2024), leaving available amount to be approximately HK\$155.2 million (of which HK\$35.0 million was used in September 2024 for the aforesaid partial repayment related to Matheson Project as disclosed in the circular related to the Previous Placing). Apart from the partial repayment of HK\$15.0 million and other partial repayments of around HK\$35.0 million mentioned above, the Company has to set aside funds to prepare for other partial repayments required, if any, to refinance other loans. Besides, sufficient funds should be retained to support the recurring operations of the Group and finance cost of the development projects. The approximately HK\$120.2 million which has to be set aside to support the recurring operations including (i) approximately HK\$67.3 million which has to be reserved for construction cost payments and construction loan interest payments for three construction projects; (ii) apart from the HK\$35.0 million used for Matheson Project partial repayment, an addition of approximately HK\$28.0 million loan repayment which was completed in September 2024; and (iii) the remaining amount mainly for other operation expense such as staff cost and administrative expenses. In addition, the net proceeds of approximately HK\$59.0 million from the disposal of a property in Singapore was planned for construction loans interest payments and other leasing properties interest payments with a total amount of approximately HK\$60.6 million for the coming six months. The Group considered that the above repayment financed out of internal available funds, the Group may not have sufficient funding to support its daily operations, principal and interest payments of loan, construction related costs as well as the partial repayments which may also be required for the other loans.

We understand from the Letter from the Board that, apart from the Rights Issue, the Board have considered other debt/equity fund-raising alternatives such as bank borrowings and placing or other various options to finance the proposed repayment of loan, including utilization of surplus funds, asset realization and demanding repayment of the Revolving Loan from Easyknit. On the other hand, the Board is of the view that the Rights Issue will strengthen the financial position of the Company and provide funding to the Company to repay part of the outstanding bank loan(s) and lower the gearing ratio of the Group. In addition, the Rights Issue will allow the Group to strengthen its capital base without incurring interest costs and will give the Qualifying Shareholders the opportunity to further invest in the equity of the Company at a favourable discount while maintaining their respective pro-rata shareholding interests and voting rights in the Company. On top of that, the Rights Issue will materially improve the net asset value per share of the Company. Hence, the Board considers that fund raising of this scale through the Rights Issue is in the best interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understand that the Board is of the view that obtaining further debt financing, such as bank borrowings from other banks, will depend on the prevailing market condition, and may be subject to lengthy due diligence and loan application processes. In addition, debt financing will impose additional interest burden on the Group which will, in turn, worsen the Group's financial performance and position. According to the statement of indebtedness set out in Appendix I, the Company recorded carrying amount of the secured bank loan of approximately HK\$1,993 million and a 5% per annum coupon rate convertible note to Goodco in the principal amount of HK\$209 million. Moreover, in the prevailing high-interest-rate environment, we are of the view that the Company may not be able to secure favourable terms for debt financing during negotiations with financial institutions and such may not be beneficial to the Company and the Shareholders as a whole.

We understand from the Letter from the Board that the Board also considered various options to finance the proposed repayment of loan, including utilization of surplus funds, asset realization and demanding repayment of the Revolving Loan from Easyknit. The Group considers that asset realization may have to go through a lengthy process, the timing of which may not match with that required for the loan repayment to banks. Besides, the disposal of the assets may not be favourable and justified given the current market conditions. Offering the completed projects for sale whether by en bloc or strata sale anytime is always a key option taken by the Group when opportunities arise and as long as there is favourable offer. We concur the Company's view that the Company may not be able to disposal of the asset in a short time of period due to the Company mainly carrying properties which are an illiquid asset. According to FY2024 annual report, the Company recorded carrying amounts of properties held for development for sale and properties held for sale of approximately HK\$2,520.1 million and HK\$1,065.9 million as at 31 December 2023. During April 2024 to the Latest Practicable Date, the Company disposed properties and limited partnership interest reference to the related announcements dated 31 May 2024, 28 June 2024 and 24 July 2024 which required around at least a month to go through the disposal process. As a result, such approach to finance the loan repayment requirement may not be beneficial to the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understand that the outstanding Revolving Loan balance drawn by the Easyknit Group under the Revolving Loan Agreement was HK\$70.0 million as at 31 August 2024, which should be repaid before the maturity date on 20 November 2025 and the Company has the ultimate right, which is a very common term for any loan agreement entered by lender including bank and financial institution in Hong Kong, to demand the borrower, Easyknit Group, to repay the Revolving Loan anytime before the maturity date. The Company has notified Easyknit Group at the maturity of interest period in October 2024 for repaying the Revolving Loan before the maturity date, 20 November 2025, and the Company has considered using all appropriate means (including sending a formal demand notice) to settle the Revolving Loan. We also understand that demanding repayment always goes with several rounds of negotiation, especially when the current uncertainties on the Hong Kong property industry, volatility in the Hong Kong financial market, inflationary pressures and interest rates are affecting the expectation on the overall Hong Kong economic prospects. In addition, as mentioned in the Letter from the Board, it is common that the amount to be recovered may be a partial repayment, like the construction loans related to Matheson Project, King Lam Street Project and Fung Wah Project. In view that the Company may not be able to recover the full amount of the Revolving Loan immediately and the negotiation process for the early repayment is expected to take considerable time which is not less lengthy than the process of Rights Issue, we consider that demand for the repayment of the Revolving Loan and the Right Issues shall proceed simultaneously, which is in the interests of the Company and the Shareholders as a whole.

Taken into account of the imminent funding needs for loan repayments, we are of the view that the Rights Issue is an appropriate fund raising option under the current circumstances.

We understand that the Board is of the view that it would cause a material dilution effect to the shareholding of the existing Shareholders regard to a private placing of equity as it would involve the issue of a substantial amounts of new Shares at a discount to external parties and the existing Shareholders would not have the opportunity to participate in the placing.

Considering (i) the feasibility of the fund raising methods above; (ii) that the Rights Issue offers all the Qualifying Shareholders an equal opportunity to subscribe for their pro-rata provisional allotments of the Rights Shares without diluting their shareholding interests and allows the Qualifying Shareholders to participate in the future development of the Company; (iii) the additional flexibility provided from the nil-paid rights options in the Rights Issue to the existing Shareholders and (iv) that the Rights Issue will strengthen the Company's capital base and liquidity without incurring interest costs and also enables the Company to reduce its gearing ratio; the Directors are of the view, and we concur, that the Rights Issue is an appropriate fund raising option under the current circumstances compared to the abovementioned alternative fund raising methods and it is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.3 Fundraising activities in the past twelve months

The Company has conducted the following equity fundraising activities in the past twelve months immediately prior to the Latest Practicable Date:

| Date | Equity fund raising activity | Net proceeds raised | Proposed use of net proceeds | Actual use of net proceeds |
|--|--|---------------------|---|--|
| 23 January 2024 (announcement) and 29 February 2024 (circular) | Placing of new shares under specific mandate | HK\$41,700,000 | For repayment of the Group's bank loan(s) | All proceeds were fully utilized as intended |

3 The proposed Rights Issue

3.1 Issue statistics

| | |
|--|--|
| Basis of the Rights Issue: | Two (2) Rights Shares for every one (1) Shares held on the Record Date |
| Subscription Price: | HK\$0.092 per Rights Share |
| Number of the Shares in issue as at the Latest Practicable Date: | 338,148,116 Shares |
| Maximum number of Rights Shares to be issued under the Rights Issue (assuming the Rights Issue is fully subscribed): | 676,296,232 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) |
| Aggregate nominal value of the Rights Shares: | Up to HK\$6,762,962 (assuming no change in the issued share capital of the Company on or before the Record Date other than the allotment and issue of the Rights Shares) |
| Maximum total number of issued Shares as enlarged by the Rights Issue (assuming the Rights Issue is fully subscribed): | Up to 1,014,444,348 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) be allotted and issued on or before completion of the Rights Issue) |
| Maximum amount to be raised before expenses (assuming the Rights Issue is fully subscribed): | Up to approximately HK\$62.2 million (assuming no changes in the number of Shares in issue on or before the Record Date) |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Right of excess applications: Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotments

Save for the outstanding 2023 Convertible Note, as at the Latest Practicable Date, the Company does not have any outstanding share options granted under any of its share option scheme or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Shares.

Assuming no change in the number of issued Shares on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 676,296,232 Rights Shares proposed to be provisionally allotted and issued pursuant to the Rights Issue represents approximately 200.00% of the issued share capital of the Company as at the Latest Practicable Date and will represent approximately 66.67% of the total number of issued Shares of the Company as enlarged by the issue of the Rights Shares.

3.2 The Subscription Price

The Subscription Price of HK\$0.092 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares or when a renounce of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

- (i) a premium of approximately 8.24% to the closing price of HK\$0.085 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 8.00% to the closing price of HK\$0.100 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 24.34% to the average closing price of approximately HK\$0.1216 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 25.99% to the average closing price of approximately HK\$0.1243 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 2.85% to the theoretical ex-rights price of HK\$0.0947 per Share after the Rights Issue, based on the closing price of HK\$0.100 per Share as quoted on the Stock Exchange on the Last Trading Day;

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- (vi) a discount of approximately 98.98% to the audited net asset value per Share of the Group of approximately HK\$9.011 per Share, which is calculated by dividing the audited net asset value of the Group of approximately HK\$3,047 million as at 31 March 2024 as shown in the Company's annual report for the year ended 31 March 2024 by the number of Shares in issue as of the date of the Announcement;
- (vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 21.30%, represented by the theoretical diluted price of approximately HK\$0.1064 per Share to the benchmarked price of approximately HK\$0.1352 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on 15 October 2024, being the date of the Announcement of HK\$0.100 per Share and the average of the closing prices as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Announcement of approximately HK\$0.1352 per Share); and
- (viii) a cumulative theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) in aggregation with the Previous Placing represented by a discount of approximately 23.17%, represented by the cumulative theoretical diluted price of approximately HK\$0.1504 per Share to the theoretical benchmarked price of approximately HK\$0.1958 per Share in respect of the Previous Placing (as defined under Rule 7.27B of the Listing Rules).

According to the Letter from the Board, the Subscription Price was determined with reference to (i) the existing financial condition and imminent funding requirements of the Group; (ii) the recent market price of the Shares under the prevailing market conditions; (iii) the recent volatility of the capital market in Hong Kong; (iv) the necessity to increase the attractiveness of the Rights Issue by offering Qualifying Shareholders the opportunity to participate in the Rights Issue at a considerable discount to the current market price of the Shares of the Company; and (v) the equal opportunity being offered to each of the Qualifying Shareholders for the subscription of the Rights Shares at the Subscription Price in proportion to his/her/its existing shareholding in the Company.

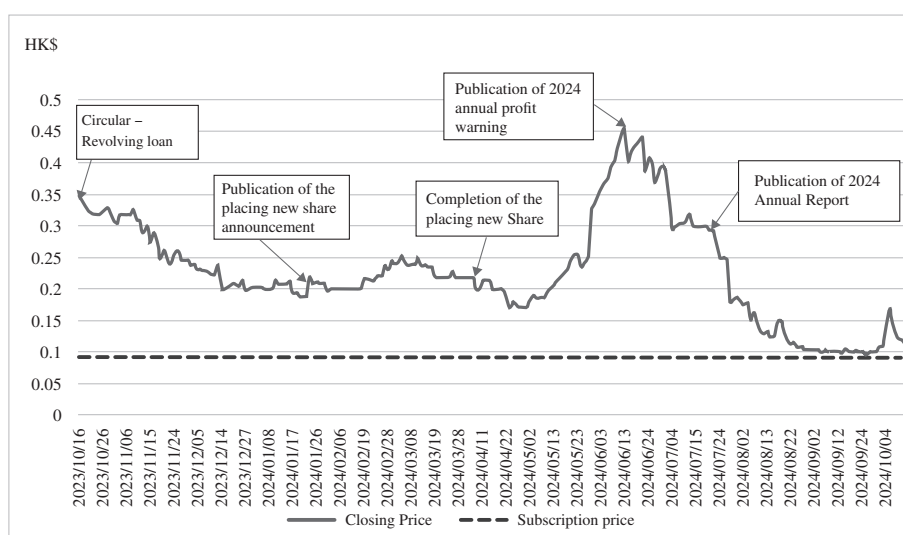
3.3 Non-Underwriting Basis

Given that the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. In the event that the provisional allotments for the Rights Issue are not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders together with the Rights Shares not provisionally allotted to the Non-Qualifying Shareholders and aggregated fractions of Rights Shares will be made available for excess application under the EAFs. There is no minimum subscription level or minimum amount to be raised under the Rights Issue. It is noted that 14 of the 19 Comparable Transactions were conducted on a non-underwritten basis. Further analysis is set out in the below section.

4 Historical price and trading volume of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares from 16 October 2023 up to and including the Last Trading Day (the “**Review Period**”) (being a period of 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. We consider that the Review Period is adequate and representative to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Announcement and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company the Shareholders had expected, while that after the Announcement, the value may have taken into account the potential effect of the Rights Issue which may distort the analysis.

4.1 Closing price movement of the Share during the Review Period



Source: the website of the Stock Exchange

During the Review Period, the closing prices of the Shares were fluctuated between a low of HK\$0.092 per Share and a high of HK\$0.46 per Share, with an average closing price of approximately HK\$0.228 per Share.

Starting from the Review Period, the Share prices showed a general decreasing trend before reaching a low of HK\$0.2 on 14 December 2023. After that the Share prices showed a remained generally stable until the completion of the placing new Shares on 17 April 2024. Since then, the Shares were traded until the closing price of the Shares reached its highest point at HK\$0.46 per Share on 13 June 2024. After that, the Company announced the (i) the profit warning on 13 June 2024, (ii) an annual result for FY2024 on 27 June 2024, and (iii) the annual report for FY2024 on 22 July 2024. The prices of the Shares had dropped since 13 June 2024 and closed at HK\$0.1 per Share on the Last Trading Day.

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In light of the declining share price of the Company and as discussed in the section headed “Comparative analysis on the proposed terms of the Rights Issue” below, we note that it is a common market practice to set the subscription price at a discount to the prevailing market prices of the relevant shares in order to increase the attractiveness and encouraging shareholders to participate in the rights issue. Accordingly, we are of the view that the Subscription Price being set at a discount to the prevailing market prices of the Shares is in line with the general market practice and is acceptable.

4.2 Average daily trading volume for each month during the Review Period

The table below sets out the average daily trading volume of the Shares for each month during the Review Period.

| Month | Number of trading days | Average daily trading volume of the Shares during the month/period | Average daily trading volume of the Shares during the month/period to the total number of issued Shares |
|--|------------------------|--|---|
| 2023 | | | |
| October | 11 | 776,741 | 0.23% |
| November | 22 | 993,674 | 0.29% |
| December | 19 | 294,764 | 0.09% |
| 2024 | | | |
| January | 22 | 154,795 | 0.05% |
| February | 19 | 110,000 | 0.03% |
| March | 20 | 591,250 | 0.17% |
| April | 20 | 291,413 | 0.09% |
| May | 21 | 7,187,444 | 2.13% |
| June | 19 | 11,341,046 | 3.35% |
| July | 22 | 4,925,074 | 1.46% |
| August | 22 | 4,847,067 | 1.43% |
| September | 19 | 5,241,697 | 1.55% |
| October (up to and including the Last Trading Day) | 9 | 18,436,667 | 5.45% |

Source: website of the Stock Exchange

During the Review Period, the average daily trading volume of the Shares in each month ranged from a low of approximately 0.23% and up to a maximum of 5.45% to the total number of issued Shares as at the Latest Practicable Date. Given the thin trading volume of the Shares, we consider that a substantial discount to the prevailing Share price is crucial for the Company to be able to raise equity funds from third parties. Taking into account the low trading liquidity of the Shares, we are of the view that, from the perspective of trading

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liquidity of the Shares, the Rights Issue is an appropriate equity financing method for the Group allowing existing Shareholders to participate and the discount of the Subscription Price thereunder is reasonable.

5 Comparative analysis on the proposed terms of the Rights Issue

5.1 The Comparables

In order to assess the fairness and reasonableness of the proposed terms of the Rights Issue, we have identified an exhaustive list of 19 companies (the “**Comparable(s)**”) listed on the Main Board and GEM of the Stock Exchange which announced a rights issue or an open offer during three-month period prior to the date of the Announcement, i.e. 15 October 2024.

Although the Comparables include rights issues and open offer in different scale or engaged in different business from the Company, having considered (i) all of the Comparables and the Group are listed on the Stock Exchange; (ii) our analysis is mainly concerned with the principal terms of the rights issues and open offer and we are not aware of any established evidence showing any correlation between the principal business and the fund-raising exercise’s underlying principal terms; (iii) a 3-month period for the selection of the Comparables has generated a reasonable and meaningful number of samples size of 19 Hong Kong listed issuers to reflect the market practice regarding recent rights issue or open offer, the Comparables were included without any artificial selection or filtering on our part so the Comparables represent a true and fair view of the recent market trends for similar transactions conducted by other Hong Kong listed issuers, we consider that the Comparables are fair and representative samples.

It should be noted that all the subject companies constituting the Comparables may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company, and the circumstances leading to the subject companies to proceed with the rights issues or open offer may also be different from that of the Company.

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The following table sets forth the relevant details of the Comparables:

| Date of announcement | Company name (Stock code) | Principle Activities | Basis of entitlement | (Discount)/Premium of subscription price (to)/over | | | Potential maximum dilution of shareholding (%) (Note 1) | Theoretical dilution effect (%) (Note 1) | Excess Application (EA)/Compensatory Arrangement (CA) (EA/CA) | Underwriting arrangement (Yes/No) |
|----------------------|---|--|----------------------|--|-------------------------------|---|--|---|--|--------------------------------------|
| | | | | Closing price (%) (Note 1) | 5-day average (%) (Note 1) | the theoretical ex-rights entitlement price (%) (Note 1) | | | | |
| 12/7/2024 | Guan Chao Holdings Limited (1872) | Selling new parallel-import motor vehicles and pre-owned motor vehicles | 4 to 1 | (20.00) | (29.08) | (4.76) | 80.0 | 20.07 | CA | No |
| 19/7/2024 | Trendzon Holdings Group Limited (1865) | Infrastructural pipeline construction and related engineering services | 4 to 1 | (14.30) | (17.40) | (4.30) | 80.0 | 14.60 | CA | No |
| 22/7/2024 | Roma (Meta) Group Limited (8072) | Valuation and advisory services, financing services and securities broking, placing and underwriting and investment advisory and asset management services | 3 to 1 | (23.08) | (24.24) | (7.41) | 75.0 | 18.18 | CA | Yes |
| 30/7/2024 | Modern Living Investments Holdings Limited (8426) | Property management services | 1 to 10 | (28.57) | (27.75) | N/A ⁽²⁾ | 9.1 | 15.60 | EA | Yes |
| 31/7/2024 | Emperor International Holdings Limited (163) | Property investments and property development in the Greater China | 1 to 2 | (30.60) | (31.50) | (23.60) | 33.3 | 10.50 | EA | Yes |

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| Date of announcement | Company name (Stock code) | Principle Activities | Basis of entitlement | (Discount)/Premium of subscription price (to)/over | | | | Potential maximum dilution of shareholding (%) (Note 1) | Theoretical dilution effect (%) (Note 1) | Excess Application (EA)/Compensatory Arrangement (CA) (EA/CA) | Underwriting arrangement (Yes/No) |
|----------------------|---|--|----------------------|--|-------------------------------|---|--|--|---|--|--------------------------------------|
| | | | | Closing price (%) (Note 1) | 5-day average (%) (Note 1) | the theoretical ex-rights entitlement price (%) (Note 1) | consolidated net asset value per share (%) (Note 1) | | | | |
| 2/8/2024 | Asia Television Holdings Limited (707) | Mainly the processing, printing and sales of finished fabrics and subcontracting services and the trading of fabric and clothing business and the media, cultural and entertainment business | 1 to 2 | (46.80) | 2.00 ⁽⁴⁾ | (37.00) | Net liabilities ⁽⁷⁾ | 33.3 | 15.60 | CA | No |
| 22/8/2024 | Beijingwest Industries International Limited (2339) | Manufacture, sales and trading of automotive parts and components and provision of technical services, with the core products being suspension products | 1 to 2 | (13.85) | (13.85) | (9.68) | (88.72) | 33.3 | 4.62 | EA | No |
| 2/9/2024 | Guangdong – Hong Kong Greatbay Area Holdings Limited (1396) | Development, sales and operation of residential properties, commercial trade and logistics centers in the PRC | 1 to 2 | (22.30) | (21.70) | (15.85) | (94.87) | 33.3 | 8.28 | EA | No |
| 4/9/2024 | China New Consumption Group Limited (8275) | Foundation contractor primarily specialising in bored piling works as well as other foundation works, also engaged in leasing of machinery and money lending business | 1 to 2 | (5.66) | (7.41) | (4.76) | (61.09) | 33.3 | 2.47 | CA | No |

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| Date of announcement | Company name (Stock code) | Principle Activities | Basis of entitlement | (Discount)/Premium of subscription price (to)/over | | | | Potential maximum dilution of shareholding (%) (Note 1) | Theoretical dilution effect (%) (Note 1) | Excess Application (EA)/Compensatory Arrangement (CA) (EA/CA) | Underwriting arrangement (Yes/No) |
|----------------------|---|--|----------------------|--|-------------------------------|---|--|--|---|--|--------------------------------------|
| | | | | Closing price (%) (Note 1) | 5-day average (%) (Note 1) | the theoretical ex-rights entitlement price (%) (Note 1) | consolidated net asset value per share (%) (Note 1) | | | | |
| 9/9/2024 | Crown International Corporation Limited (727) | Property investment, property development, hotel operations, financial consultancy service, provision of comprehensive healthcare planning and management services and trading and developing of premium white | 2 to 1 | 2.27 | 14.80 ⁽⁴⁾ | 1.50 ⁽⁵⁾ | 162.35 ⁽⁶⁾ | 33.3 | Less than 25% | EA | No |
| 13/9/2024 | Shougang Century Holdings Limited (103) | Manufacturing and sales of steel cords for radial tyres, manufacturing and sales of sawing wires and hose wires | 1 to 5 | 10.00 | 8.20 ⁽⁴⁾ | 8.20 ⁽⁵⁾ | (62.50) | 16.7 | Premium | EA | No |
| 13/9/2024 | Dragon Rise Group Holdings Limited (6829) | Undertaking foundation works in Hong Kong as a subcontractor | 1 to 1 | (48.70) | (48.20) | (33.10) | (89.20) | 50.0 | 24.90 | CA | Yes |
| 23/9/2024 | Shougang Fusan Resources Group Limited (639) | Mining of coking coal, production and sales of raw and clean coking coal | 1 to 30 | 1.96 ⁽³⁾ | 2.52 ⁽⁴⁾ | 1.90 ⁽⁵⁾ | (21.21) | 3.2 | Premium | EA | No |
| 23/9/2024 | Hatcher Group Limited (8365) | Licensed corporation carrying out regulated activities under SFO and other financial services such as ESG advisory services, accounting and taxation services, and human resources services in Hong Kong | 3 to 1 | (31.50) | (24.00) | (10.40) | (94.10) | 75.0 | 23.60 | CA | No |

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| Date of announcement | Company name (Stock code) | Principle Activities | Basis of entitlement | (Discount)/Premium of subscription price (to)/over | | | | Potential maximum dilution of shareholding (%) (Note 1) | Theoretical dilution effect (%) (Note 1) | Excess Application (EA)/Compensatory Arrangement (CA) (EA/CA) | Underwriting arrangement (Yes/No) |
|----------------------|--|--|----------------------|--|-------------------------------|---|--|--|---|--|--------------------------------------|
| | | | | Closing price (%) (Note 1) | 5-day average (%) (Note 1) | the theoretical ex-rights entitlement price (%) (Note 1) | consolidated net asset value per share (%) (Note 1) | | | | |
| 26/9/2024 | Innovax Holdings Limited (2680) | Licensed corporation carrying out regulated activities under SFO | 1 to 2 | (67.93) (Note 1) | (68.35) (Note 1) | (59.02) (Note 1) | (88.59) (Note 1) | 33.3 (Note 1) | 22.78 (Note 1) | CA | No |
| 2/10/2024 | China National Culture Group Limited (745) | Design services and advertising through mobile devices, e-commerce relating to the sale of products over the internet and trading and production of films and provision of other film related services | 1 to 2 | (31.97) | (31.51) | N/A ⁽²⁾ | N/A ⁽²⁾ | 66.7 | 21.31 | CA | No |
| 4/10/2024 | Palinda Group Holdings Limited (8179) | Wine trading; and production and sales of food products in Hong Kong | 1 to 2 | (18.70) | (9.42) | (13.29) | (60.86) | 33.3 | 6.23 | EA | No |
| 7/10/2024 | China Water Industry Group Limited (1129) | Provision of water supply, sewage treatment and construction services; exploitation and sale of renewable energy in the PRC; and property investment and development | 1 to 1 | (49.44) | (49.21) | (32.84) | (91.65) | 50.0 | 21.72 | CA | No |
| 8/10/2024 | V & V Technology Holdings Limited (8113) | Sale of electronic components for consumer electronic products | 1 to 2 | (31.50) | (26.40) | (23.47) | (32.23) | 33.3 | 10.50 | EA | No |

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| Date of announcement | Company name (Stock code) | Principle Activities | Basis of entitlement | (Discount)/Premium of subscription price (to)/over | | | | | Potential maximum dilution of shareholding (%) (Note 1) | Theoretical dilution effect (%) (Note 1) | Excess Application (EA)/Compensatory Arrangement (CA) (EA/CA) | Underwriting arrangement (Yes/No) |
|----------------------|------------------------------|----------------------|----------------------|--|-------------------------------|---|--|--------|--|---|---|--------------------------------------|
| | | | | Closing price (%) (Note 1) | 5-day average (%) (Note 1) | the theoretical ex-rights entitlement price (%) (Note 1) | consolidated net asset value per share (%) (Note 1) | | | | | |
| | | | Maximum discount | (67.9) | (68.4) | (59.0) | (97.2) | (24.9) | | | | |
| | | | Minimum discount | (5.7) | (7.4) | (4.3) | (21.21) | (2.47) | | | | |
| | | | Average discount | (30.3) | (28.7) | (20.0) | (77.5) | (15.4) | | | | |
| 15/10/2024 | The Company | | 1 to 2 | (8.0) | (24.3) | (2.9) | (99.0) | (21.3) | 66.7 | EA | No | |

Source: *website of the Stock Exchange*

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Notes:

1. Information has been extracted from the relevant announcements or circulars of the rights issue of the respective Comparables.
2. “N/A” denotes that the announcement did not disclose such information.
3. denotes that premium of subscription price over the closing price is not applicable due to the Company recorded a discount of subscription price to the closing price, and has been excluded from the analysis or calculation for the maximum discount, minimum discount and average discount.
4. denotes that premium of subscription price over the five-day average is not applicable due to the Company recorded a discount of subscription price to the closing price, and has been excluded from the analysis or calculation for the maximum discount, minimum discount and average discount.
5. denotes that premium of subscription price over the theoretical ex-rights entitlement price is not applicable due to the Company recorded a discount of subscription price to the closing price, and has been excluded from the analysis or calculation for the maximum discount, minimum discount and average discount.
6. denotes that premium of subscription price over the consolidated net asset value per share is not applicable due to the Company recorded a discount of subscription price to the closing price, and has been excluded from the analysis or calculation for the maximum discount, minimum discount and average discount.
7. denotes that comparison to net asset value is not applicable due to the net liabilities position of the respective Comparable, and has been excluded from the analysis.

As set out in the table above, we noted that:

- (a) the discount of subscription price to the closing price on the last trading day of the Comparables ranged from approximately 67.9% to approximately 5.7%, with the average of discounts being approximately 30.3%. The Subscription Price represents a discount of approximately 8.0% to the closing price on the Last Trading Day, which is within the range and near to the minimum discount of the Comparables;
- (b) the discount of subscription price to the theoretical ex-rights price of the Comparables ranged from approximately 59.0% to approximately 4.3%, with the average of discounts of approximately 20.0%. The Subscription Price represents a discount of approximately 2.9% to the theoretical ex-rights price per Consolidated Share on the Last Trading Day which is lower than the lowest in the Comparables;
- (c) the discount of the subscription price to the Comparables' net asset value per share ranged from 21.2% to approximately 97.2%. The discount of the subscription price to the Company's net asset value per share is the highest among the discounts of the Comparables;
- (d) the theoretical dilution effect of the Rights Issue Comparables ranged from 2.5% to approximately 24.9%. The theoretical dilution effect of the Rights Issue of approximately 21.3% is within the theoretical dilution range of the Comparables;
- (e) 8 out of 19 Comparables have facilitated excess application arrangements. Despite that the arrangement of excess application is less popular among the Comparables, such arrangement is permissible under Rule 7.21(1)(a) of the Listing Rules and allows fair participation of all Shareholders in the subscription of untaken rights should they wish to; and

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- (f) the Rights Issue is on a non-underwritten basis, which is considered to be in line with market practice, given that 14 out of 19 Comparables were also conducted on a non-underwritten basis.

We noted that the Subscription Price represents a significant discount to the Company's net asset value as at 31 March 2024 and understand from the Letter from the Board that the huge discount to the Company's unaudited net asset value per Share is due to the fact that the Shares have been traded at a price representing a low price-to-book ratio (PB ratio), which is not uncommon for the property developers listed in Hong Kong. If the Subscription Price is set at a level close to the Company's audited net asset value per Share (i.e. approximately HK\$9.011 per Share), it will represent a huge premium of almost 90 times as compared to the price of Shares of HK\$0.100 on the Last Trading Day. We considered the fact that Shares were continuously trading at deep discount to the net asset value of the Company throughout the Review Period, we are of the view that it is not relevant and practical to set a subscription price that benchmarks against the net asset value of the Company which would be significantly higher than the prevailing market price and defeat the purpose of attracting the Shareholders to participate in this fund raising exercise.

In view of (i) the recent general downward trend of the closing price of the Shares and the trading volume of the Shares during the Review Period was generally thin as discussed in the section headed "4. Historical price and the trading volume of the Shares" above; (ii) the discounts represented by the Subscription Price all fall within the range of the Comparables, except for the theoretical ex-rights price which is lower than the minimum discount of the Comparables; and (iii) the Rights Issue is available to all Qualifying Shareholders, we consider that the principal terms of the Rights Issue (including the Subscription Price) to be fair and reasonable to the Shareholders and in the interests of the Company and the Shareholders as a whole.

6 Possible dilution effect on interests of other public Shareholders

The Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future development of the Company should they wish to do so. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of approximately 66.67%.

As shown in the table above, the theoretical dilution effect of the Comparables ranged from approximately 2.5% to 24.9%, with an average of 15.4%. The theoretical dilution effect of the Rights Issue of approximately 21.30% falls within range of the Comparables and is close to the highest theoretical dilution effect of the Comparables.

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We are aware of the potential dilution effect as a result of the Rights Issue. However, after taking into consideration that (i) the theoretical dilution effect of the Rights Issue falls within range of those of the Comparables; (ii) the Rights Issue would strengthen the capital structure and financial position of the Group; (iii) all Qualifying Shareholders are offered an equal opportunity to maintain their shareholding interests in the Company and allowed to participate in the development of the Company; (iv) the inherent dilutive nature of rights issues in general if the existing shareholders do not take up their entitlements thereunder in full; and (v) Qualifying Shareholders who are not taking up their entitlements are given the flexibility to dispose of the nil-paid Rights Shares in open market, we consider that the potential dilution effect of the Rights Issue is justifiable.

7 Financial effects of the Rights Issue

It should be noted that the Rights Issue is subject to the conditions as set out in the Letter from the Board and on a non-underwritten basis, the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

7.1 Net tangible asset

Based on the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2024 was approximately HK\$3,047 million. Upon completion of the Rights Issue, the Group will have unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company being approximately HK\$3,150 million.

7.2 Liquidity

The estimated net proceeds from the Rights Issue are expected to enhance the Group's current assets by approximately HK\$61.2 million (assuming full acceptance by Qualifying Shareholders) and the Rights Issue is expected to improve the Group's liquidity position immediately after its completion.

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

Details of the audited consolidated financial information of the Group for the years ended 31 March 2022, 2023 and 2024 were disclosed in the annual reports of the Company for the years ended 31 March 2022 (pages 87 to 221), 2023 (pages 94 to 233) and 2024 (pages 103 to 233) respectively. The aforementioned financial information of the Group has been published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.eminence-enterprise.com). Please refer to the hyperlinks as stated below:

2022 annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0722/2022072200147.pdf>

2023 annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0721/2023072100323.pdf>

2024 annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0722/2024072200405.pdf>

2. STATEMENT OF INDEBTEDNESS

As at 30 September 2024, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, the Group had outstanding indebtedness included the following:

(a) Borrowings

The Group had outstanding bank borrowings of approximately HK\$1,992,797,000, which were secured by the Group's properties with an aggregate net book value of approximately HK\$1,059,800,000 (investment properties), approximately HK\$1,862,755,000 (properties held for development for sale), approximately HK\$1,721,169,000 (properties held for sale) and approximately HK\$72,216,000 (assets classified as held for sale-investment properties) respectively and all bank borrowings were guaranteed by the Company.

(b) 2023 Convertible Note

The Company on 20 February 2023 entered into a subscription agreement in relation to the issue of a 5% per annum coupon rate convertible note to Goodco in the principal amount of HK\$209,000,000, conferring rights to convert at any time before 19 February 2028 the principal amount into the Shares at the adjusted conversion price of HK\$0.18 per Share (subject to adjustments). The outstanding amount of 2023 Convertible Note as at the Latest Practicable Date was HK\$209,000,000.

Apart from as disclosed above and intra-group liabilities, the Group did not have any debt securities authorised or created by 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 30 September 2024.

The Directors confirm that there have been no material adverse changes in the indebtedness or contingent liabilities of the Group since 30 September 2024.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, taking into consideration the Group's present financial resources and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements for at least the twelve months from the date of this circular in the absence of any unforeseen circumstances.

4. MATERIAL ADVERSE CHANGES

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 March 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date.

5. TREND AND FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group will continue focusing its efforts on the development of its existing principal businesses, including property development, property investment, investment in securities and others and loan financing business while exploring other potential projects with a view to providing steady and favourable returns to the Shareholders and bringing increased values to the Group's stakeholders.

Despite the increasing uncertainties and volatilities on global economic landscape brought by high inflation and interest rates and geopolitical tensions which hinder the post-pandemic normalcy and recovery of Hong Kong, the Group continuously and closely monitors the current situation and remains prudently optimistic about the prospects of the property and securities markets in Hong Kong and the Group will stay abreast of the latest market movements, adopts flexible and cautious business strategies and continues to grow over the longer term of the Hong Kong markets.

In line with its investment strategy and policy, the Company will continue to identify appropriate investment and divestment opportunities during this challenging period that fit the objective and investment criteria of the Company, and will continue to seek quality opportunities to replenish its property portfolio as an ongoing business exercise. The Board would exercise utmost caution so as to bring long-term benefits to the operating and financial results of the Company in the foreseeable future.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.

STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effects of the Rights Issue on the consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had taken place on 31 March 2024.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, may not give a true picture of the financial position of the Group following the Rights Issue.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company is based on the audited consolidated net tangible assets of the Group as at 31 March 2024, adjusted as described below:

| Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2024 <i>(Note 1)</i> <i>HK\$'000</i> | Net proceeds from the Previous Placing completed on 17 April 2024 <i>(Note 2)</i> <i>HK\$'000</i> | Estimate net proceeds from the Rights Issue <i>(Note 3)</i> <i>HK\$'000</i> | Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after the completion of the Previous Placing and the Rights Issue <i>HK\$'000</i> |
|--|--|--|--|
| 3,047,196 | 41,877 | 61,219 | 3,150,292 |

Consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2024 per Share immediately after the completion of the Previous Placing and before the Rights Issue *(Note 4)*

HK\$9.135

Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share immediately after the completion of the Previous Placing and the Rights Issue *(Note 5)*

HK\$3.105

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes:

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2024 are based on the consolidated net assets in the audited consolidated statement of financial position of the Group attributable to the owners of the Company as at 31 March 2024 as set out in the annual report of the Group for the year ended 31 March 2024.
2. On 17 April 2024, the Company completed the Previous Placing in which 235,000,000 ordinary shares were issued at Previous Placing price of HK\$0.18 per Previous Placing shares. Net proceeds from the Previous Placing amounted to approximately HK\$41,877,000 (after deduction of commission and other relevant costs and expenses of the Previous Placing).
3. The estimated net proceeds from the Rights Issue of approximately HK\$61,219,000 are calculated based on the maximum number of 676,296,232 Rights Shares (in the proportion of two (2) Rights Shares for every one (1) existing Share held on the Record Date which is 338,148,116 Shares) to be issued at the subscription price of HK\$0.092 per Rights Share assuming full acceptance of the Rights Shares by all of the Qualifying Shareholders and Goodco will not exercise any conversion rights under the 2023 Convertible Note pursuant to the Irrevocable Undertaking, after deduction of the estimated related expenses of approximately HK\$1,000,000.
4. The consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2024 per Share immediately after the completion of the Previous Placing and before the Rights Issue is calculated based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2024 immediately after the completion of the Previous Placing and before the Rights Issue of approximately HK\$3,089,073,000, which is arrived at after aggregating the audited consolidated net tangible assets of the Group attributable to owners of the Company of approximately HK\$3,047,196,000 (note 1 above) and the estimated net proceeds of approximately HK\$41,877,000 from the Previous Placing (note 2 above) divided by 338,148,116 existing Shares held on the Record Date.
5. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2024 per Share immediately after the completion of the Previous Placing and Rights Issue (assuming full acceptance of the Rights Shares by all of the Qualifying Shareholders) is arrived at based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity owners of the Company as at 31 March 2024 immediately after completion of the Previous Placing and Rights Issue of approximately HK\$3,150,292,000 divided by 1,014,444,348 pro forma Shares which comprise (i) 338,148,116 existing Shares held on the Record Date, and (ii) 676,296,232 Rights Shares to be issued assuming that the Rights Issue has been completed on 31 March 2024 and Goodco will not exercise any conversion rights under the 2023 Convertible Note pursuant to the Irrevocable Undertaking.
6. Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2024.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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.



29 November 2024

The Board of Directors
Eminence Enterprise Limited

Dear Sir or Madam,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Eminence Enterprise 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 unaudited pro forma adjusted consolidated net tangible assets as at 31 March 2024 as set out on pages II-1 to II-3 of the circular (the “**Circular**”) issued by the Company. The applicable criteria on the basis of which the directors of the Company have compiled the pro forma financial information are described in Appendix II to the Circular.

The pro forma financial information has been compiled by the directors to illustrate the impact of the Rights Issue on the Group’s consolidated net tangible assets as at 31 March 2024 as if the transaction had been taken place at 31 March 2024. As part of this process, information about the Group’s consolidated net tangible assets has been extracted by the directors of the Company from the Group’s audited consolidated financial statements for the year ended 31 March 2024, on which an audit report has been published.

DIRECTORS’ RESPONSIBILITY FOR THE PRO FORMA FINANCIAL INFORMATION

The directors of the Company are responsible for compiling the pro forma financial information 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 MANAGEMENT

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or 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 pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information 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 pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2024 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

We make no comments regarding the reasonableness of the amount of net proceeds from the Rights Issue, the application of those net proceeds, or whether such use will actually take place as described under “Reasons for the Rights Issue and the Use of Proceeds” set out on pages 18 to 24 of the Circular.

OPINION

In our opinion:

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

Yours faithfully,

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Pang Hon Chung

Practising Certificate Number P05988

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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date; (b) immediately prior to the completion of the Rights Issue (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date to the completion of the Rights Issue); and (c) immediately after the completion of the Rights Issue (assuming all Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full and there is no change to the total issued share capital of the Company on or before the Record Date) were as follows:

(a) As at the Latest Practicable Date:

| | | |
|-------------------------------|-------------------------|--------------------|
| <i>Authorised:</i> | | <i>HK\$</i> |
| <u>40,000,000,000</u> | Shares of HK\$0.01 each | <u>400,000,000</u> |
| <i>Issued and fully-paid:</i> | | |
| <u>338,148,116</u> | Shares of HK\$0.01 each | <u>3,381,481</u> |

(b) Immediately prior to the completion of the Rights Issue (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date to the completion of the Rights Issue):

| | | |
|-----------------------|-------------------------|--------------------|
| <i>Authorised:</i> | | <i>HK\$</i> |
| <u>40,000,000,000</u> | Shares of HK\$0.01 each | <u>400,000,000</u> |

Issued and fully-paid:

| | | |
|--------------------|-------------------------|------------------|
| <u>338,148,116</u> | Shares of HK\$0.01 each | <u>3,381,481</u> |
|--------------------|-------------------------|------------------|

- (c) **Immediately after the completion of the Rights Issue (assuming all Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full and there is no change to the total issued share capital of the Company on or before the Record Date)**

Authorised: *HK\$*

| | | |
|-----------------------|-------------------------|--------------------|
| <u>40,000,000,000</u> | Shares of HK\$0.01 each | <u>400,000,000</u> |
|-----------------------|-------------------------|--------------------|

Issued and fully paid:

| | | |
|----------------------|---|-------------------|
| 338,148,116 | Shares of HK\$0.01 each | 3,381,481 |
| 676,296,232 | Rights Shares of HK\$0.01 each to be allotted and issued under the Rights Issue | 6,762,962 |
| <u>1,014,444,348</u> | | <u>10,144,443</u> |

All the existing Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. The Rights Shares (when allotted, issued and fully-paid) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares in their fully-paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

Neither part of the share capital nor any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, save for the 2023 Convertible Note, the Company had no outstanding convertible securities, options, or warrants in issue that confer any right to subscribe for, convert, or exchange into Shares. There is no treasury share held by the Company or its subsidiary or through any agent or nominee.

As at the Latest Practicable Date, none of the capital of any member of the Group was under option or agreed conditionally or unconditionally to be put under option.

3. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, none of the Directors and chief executive of the Company were interested in or were deemed to have interests or short positions in the Shares, underlying Shares or debentures of the Company or any of 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 the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following person, other than a Director or chief executive of the Company, had, or was taken or deemed to have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

| Name of substantial Shareholder | Notes | Capacity | Number of Shares held | Number of underlying Shares held | Total | Approximate percentage of the total issued Shares |
|--|----------------------|------------------------------------|-----------------------|----------------------------------|---------------|---|
| Goodco Development Limited (“Goodco”) | (i), (iii) and (iv) | Beneficial owner | 14,055,799 | 1,161,111,111 | 1,175,166,910 | 347.53% |
| Easyknit Properties Holdings Limited | (i), (iii) and (iv) | Interest of controlled corporation | 14,055,799 | 1,161,111,111 | 1,175,166,910 | 347.53% |
| Easyknit International Holdings Limited (“Easyknit”) | (i), (iii) and (iv) | Interest of controlled corporation | 26,753,937 | 1,161,111,111 | 1,187,865,048 | 351.28% |
| | | Beneficial owner | 675,000 | – | 675,000 | 0.20% |
| | | | 27,428,937 | 1,161,111,111 | 1,188,540,048 | 351.48% |
| Magical Profits Limited | (ii), (iii) and (iv) | Interest of controlled corporation | 27,428,937 | 1,161,111,111 | 1,188,540,048 | 351.48% |

| Name of substantial Shareholder | Notes | Capacity | Number of Shares held | Number of underlying Shares held | Total | Approximate percentage of the total issued Shares |
|--|---------------|------------------------------------|-----------------------|----------------------------------|---------------|---|
| Accumulate More Profits Limited | (ii) and (iv) | Interest of controlled corporation | 27,428,937 | 1,161,111,111 | 1,188,540,048 | 351.48% |
| The Winterbotham Trust Company Limited | (ii) and (iv) | Interest of controlled corporation | 27,428,937 | 1,161,111,111 | 1,188,540,048 | 351.48% |
| Winterbotham Holdings Limited | (ii) and (iv) | Interest of controlled corporation | 27,428,937 | 1,161,111,111 | 1,188,540,048 | 351.48% |
| Christopher Geoffrey Douglas Hooper | (ii) and (iv) | Interest of controlled corporation | 27,428,937 | 1,161,111,111 | 1,188,540,048 | 351.48% |
| Markson International Holding Limited | (ii) and (iv) | Interest of controlled corporation | 27,428,937 | 1,161,111,111 | 1,188,540,048 | 351.48% |
| Ivan Geoffrey Douglas Hooper | (ii) and (iv) | Interest of controlled corporation | 27,428,937 | 1,161,111,111 | 1,188,540,048 | 351.48% |
| Chu Nin Yiu, Stephen | | Beneficial owner | 33,330,000 | – | 33,330,000 | 9.86% |
| Or Victor | | Beneficial owner | 33,330,000 | – | 33,330,000 | 9.85% |
| Ng Wang Chun Joseph | | Beneficial owner | 31,555,000 | – | 31,555,000 | 9.33% |
| Hu Rong | | Beneficial owner | 22,941,000 | – | 22,941,000 | 6.78% |

Notes:

- (i) In the 26,753,937 Shares, 12,113,454 Shares, 584,684 Shares and 14,055,799 Shares were registered in the name of and beneficially owned by Ace Winner Investment Limited, Landmark Profits Limited and Goodco (which was wholly-owned by Easyknit Properties Holdings Limited) respectively, all of which were wholly-owned subsidiaries of Easyknit. 675,000 Shares were also beneficially owned by Easyknit.
- (ii) According to Form 2 filed on 12 April 2023 by Magical Profits Limited, on 4 April 2023, Magical Profits Limited, which was interested in approximately 41.25% of the issued share capital of Easyknit (including 1,343,000 Easyknit shares held by the Group), was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by The Winterbotham Trust Company Limited as trustee of The Magical 2000 Trust. The Winterbotham Trust Company Limited was owned as to 60% by Winterbotham Holdings Limited, which in turn was owned as to approximately 99.99% by Mr. Christopher Geoffrey Douglas Hooper, and 40% by Markson International Holding Limited, which in turn was owned as to approximately 99.99% by Mr. Ivan Geoffrey Douglas Hooper, respectively. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Magical Profits Limited was interested in approximately 41.77% of the issued share capital of Easyknit (including 1,726,000 Easyknit shares held by the Group, representing approximately 2.33% of the issued share capital of Easyknit).

- (iii) Ms. Lui Yuk Chu, a Director, was also a director of Goodco, Easyknit Properties Holdings Limited, Easyknit and Magical Profits Limited and a substantial shareholder of Easyknit.
- (iv) According to two Forms 2 both filed on 19 April 2024 by Easyknit, (a) upon completion of placing under specific mandate of the Company on 17 April 2024, the total number of issued Shares has increased from 103,148,116 to 338,148,116; and the conversion price of the 5% per annum coupon rate five-year convertible note in a principal amount of HK\$209,000,000 issued by the Company (as issuer) to Goodco (as noteholder) (i.e. the 2023 Convertible Note) has been adjusted from HK\$3.70 to HK\$3.49 per conversion Share and the number of unissued conversion Shares has increased from 56,486,486 to 59,885,386. Easyknit's interest in the Shares and underlying Shares has reduced from 81.35% to 25.82%; and (b) upon completion of proposed alterations of terms of the 2023 Convertible Note on 17 April 2024, the conversion price of the 2023 Convertible Note has been revised from HK\$3.49 to HK\$0.18 per conversion Share and the number of unissued conversion Shares has increased from 59,885,386 to 1,161,111,111. Easyknit's interest in the Shares and underlying Shares has increased from 25.82% to 351.48%.

Apart from Ms. Lui Yuk Chu, no Director was also a director or an employee of any substantial Shareholders.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had, or was taken or deemed to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company under Section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, (a) none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2024 (being the date to which the latest published audited accounts of the Group were made up); and (b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which is subsisting as at the Latest Practicable Date and is significant in relation to the business of the Group.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and there was no litigation, claim or arbitration of material importance known to the Directors to be pending or threatened against any member of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or be terminable by the Group within one year without payment of compensation, other than statutory compensation.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

| Name of Director | Name of company | Nature of competing business | Nature of interest |
|------------------|-----------------|---|--|
| Lui Yuk Chu | Easyknit | Property development, property investment, investment in securities and others and loan financing | Director and substantial shareholder of Easyknit |

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

8. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by the Group within the two years immediately preceding and including the Latest Practicable Date:

- (a) the agreement dated 4 November 2022 (the “**Option to Purchase 1**”) entered into between Grow Well Profits Limited (“**Grow Well Profits**”) (as vendor), an indirect wholly-owned subsidiary of the Company, and Claire Huang and Eva Huang (as purchasers), two (2) independent third parties in relation to the grant and exercise of the option to purchase the property located at 15 Ardmore Park #06-04, Ardmore Park, Singapore 259959 at the sale price of S\$12,500,000 (equivalent to approximately HK\$68,750,000) pursuant to the terms and conditions of the Option to Purchase 1;
- (b) the conditional sale and purchase agreement dated 30 November 2022 between Easyknit Properties Holdings Limited (“**Easyknit Properties**”) (as seller), a wholly-owned subsidiary of Easyknit, and the Company (as purchaser) for the sale and purchase of the entire issued share capital and the assignment of loan of On Channel International Limited at the aggregate purchase price of HK\$44,000,000;
- (c) the conditional sale and purchase agreement dated 30 November 2022 between Easyknit Properties (as seller), a wholly-owned subsidiary of Easyknit, and the Company (as purchaser) for the sale and purchase of the entire issued share capital and the assignment of loan of Day Glory Investment Limited at the aggregate purchase price of HK\$24,800,000;

- (d) the conditional sale and purchase agreement dated 30 November 2022 between Easyknit Properties (as seller), a wholly-owned subsidiary of Easyknit, and the Company (as purchaser) for the sale and purchase of the entire issued share capital and the assignment of loan of Well Honest Investment Limited at the aggregate purchase price of HK\$24,200,000;
- (e) the conditional sale and purchase agreement dated 30 November 2022 between Easyknit Properties (as seller), a wholly-owned subsidiary of Easyknit, and the Company (as purchaser) for the sale and purchase of the entire issued share capital and the assignment of loan of Asia Million Investment Limited at the aggregate purchase price of HK\$247,000,000;
- (f) the agreement dated 14 April 2023 (the “**Option to Purchase 2**”) entered into between the Grow Well Profits (as vendor), and Yu Sung Jin (as purchaser), an independent third party in relation to the grant and exercise of the option to purchase the property located at 15 Ardmore Park #04-03, Ardmore Park, Singapore 259959 at the sale price of S\$13,008,888 (equivalent to approximately HK\$76,752,400) pursuant to the terms and conditions of the Option to Purchase 2;
- (g) the conditional placing agreement dated 29 May 2023 entered into between Kingston Securities Limited (“**Kingston**”) (as placing agent) and the Company (as issuer) in relation to the placing, on a best effort basis, of up to 50,000,000 new Shares at the placing price of HK\$0.50 per placing Share under specific mandate for net proceeds of approximately HK\$24,700,000;
- (h) the conditional revolving loan agreement dated 29 August 2023 (the “**Revolving Loan Agreement**”) in relation to the revolving loan facility of an amount not exceeding HK\$80,000,000 to be provided by City China International Limited (“**City China**”) (an indirect wholly-owned subsidiary of the Company) (as lender) to Main Profit Investment Limited (“**Main Profit**”) (an indirect wholly-owned subsidiary of Easyknit) (as borrower) pursuant to the terms and conditions of the Revolving Loan Agreement;
- (i) the deed of guarantee dated 29 August 2023 executed by Easyknit in favour of City China, an indirect wholly-owned subsidiary of the Company, guaranteeing the obligations of Main Profit, an indirect wholly-owned subsidiary of Easyknit, under the Revolving Loan Agreement;
- (j) the conditional placing agreement dated 23 January 2024 entered into between Kingston (as placing agent) and the Company (as issuer) in relation to the placing, on a best effort basis, of up to 235,000,000 new Shares at the placing price of HK\$0.18 per placing Share under specific mandate for net proceeds of approximately HK\$42,300,000;
- (k) the deed of amendment dated 23 January 2024 entered into between the Company and Goodco in relation to the proposed alterations of certain terms of the 2023 Convertible Note;

- (l) the deeds of assignment and assumption of interests (the “**Deeds of Assignment**”) in Templewater I, L.P. (the “**Limited Partnership**”) both dated 31 May 2024 entered into between Prime Avenue Ventures Limited (“**Prime Avenue**”) (as transferor), a direct wholly-owned subsidiary of the Company, respectively with each of Full Fortune Legacy Limited and Ulisse Holdings Limited (as transferees) (collectively, the “**Transferees**”) and Templewater I, G.P., the general partner of the Limited Partnership pursuant to which Prime Avenue has conditionally agreed to assign and transfer to the Transferees all of the rights, title and interests in the Limited Partnership at the total consideration of US\$3,700,000 (equivalent to approximately HK\$28,860,000), subject to adjustments as provided in the respective Deeds of Assignment;
- (m) the preliminary sale and purchase agreement dated 28 June 2024 (the “**Preliminary Sale and Purchase Agreement**”) entered into among Clever Wise Holdings Limited (as vendor), an indirect wholly-owned subsidiary of the Company, CLC Land Limited (as purchaser) and Centaline Property Agency Limited (as agent) in relation to the disposal of the property located at Ground Floor, No. 148 Johnston Road, Wanchai, Hong Kong at a consideration of HK\$36,000,000 pursuant to the terms and conditions of the Preliminary Sale and Purchase Agreement;
- (n) the agreement entered into between Grow Well Profits (as vendor), a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company, and Park Ki Chool (as purchaser), an individual and an Independent Third Party, in relation to the grant and exercise of the option on 24 July 2024 to purchase the four-bedroom residential apartment units with a gross floor area of approximately 268 sq. m. (equivalent to approximately 2,885 sq. ft.) located on the eighteenth storey of a thirty-storey block within a condominium development of 15 Ardmore Park #18-02, Ardmore Park, Singapore 259959 at a sale price of S\$12,000,000 (equivalent to approximately HK\$69,600,000); and
- (o) the Irrevocable Undertaking.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts or professional advisers who have given opinion or advice contained in this circular:

| Name | Qualification |
|---------------------------|--|
| Zhonghui Anda CPA Limited | Certified Public Accountant |
| Ample Capital Limited | a corporation licensed under the SFO to carry out Type 1 and Type 6 regulated activities |

As at the Latest Practicable Date, the above experts have given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above experts confirmed that they (a) did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and (b) were not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2024, being the date to which the latest published audited accounts of the Company were made up.

10. EXPENSES

The expenses in connection with the Rights Issue, including professional fees payable to independent financial adviser, reporting accountants, financial printer and other parties involved in the Rights Issue are estimated to be approximately HK\$1.0 million, which are payable by the Company.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Board of Directors

Executive Directors:

Mr. Lai Law Kau

(Chairman and Chief Executive Officer)

Ms. Lui Yuk Chu *(Deputy Chairman)*

Mr. Kwong Jimmy Cheung Tim

Independent non-executive Directors:

Mr. Kan Ka Hon

Mr. Lau Sin Ming

Mr. Wu Koon Yin Welly

Audit committee:

Mr. Kan Ka Hon *(Chairman)*

Mr. Lau Sin Ming

Mr. Wu Koon Yin Welly

Remuneration committee:

Mr. Lau Sin Ming *(Chairman)*

Mr. Kan Ka Hon

Mr. Wu Koon Yin Welly

Mr. Lai Law Kau

Nomination committee:

Mr. Wu Koon Yin Welly *(Chairman)*

Mr. Kan Ka Hon

Mr. Lau Sin Ming

Mr. Lai Law Kau

| | |
|---|---|
| Registered office | Clarendon House 2 Church Street Hamilton HM 11 Bermuda |
| Head office and principal place of business in Hong Kong | Block A, 7th Floor Hong Kong Spinners Building, Phase 6 481–483 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong |
| Authorised representatives | Mr. Kwong Jimmy Cheung Tim Ms. Lui Yuk Chu |
| Company Secretary | Mr. Lee Po Wing |
| Bermuda principal share registrar and transfer office | MUFG Fund Services (Bermuda) Limited 4th Floor North Cedar House 41 Cedar Avenue Hamilton HM 12 Bermuda |
| Branch share registrar and transfer office in Hong Kong | Tricor Secretaries Limited 17/F., Far East Finance Centre 16 Harcourt Road Hong Kong |
| Principal banker | Hang Seng Bank Limited |
| Auditors | Deloitte Touche Tohmatsu Certified Public Accountants Registered Public Interest Entity Auditor 35/F One Pacific Place 88 Queensway Hong Kong |
| Independent Financial Adviser | Ample Capital Limited Room 903, Far East Consortium Building, 121 Des Voeux Road Central, Central, Hong Kong |

12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT**a) Biographical details of Directors***Executive Directors*

Mr. Lai Law Kau, aged 63, is the chairman, chief executive officer, an executive Director, the chairman of the executive committee of the Company, and a member of the remuneration committee and the nomination committee of the Company. Mr. Lai has been involved in the textiles industry over 20 years and has extensive experience in design, manufacturing, marketing and distribution of apparel. He is a brother-in-law of Ms. Lui Yuk Chu, the deputy chairman and an executive Director; and the vice president and an executive director of Easyknit. Mr. Lai is also an uncle of Ms. Koon Ho Yan Candy, the president and chief executive officer, and an executive director of Easyknit. In August 2020, he was appointed as an executive director and a member of the executive committee, the remuneration committee and the nomination committee of the Company. In October 2020, Mr. Lai was re-designated from an executive director and a member of the executive committee of the Company to the chairman, chief executive officer, and the chairman of the executive committee of the Company.

Ms. Lui Yuk Chu, aged 67, is the deputy chairman, an executive Director and authorised representative of the Company, and a member of the executive committee of the Company. She is also an executive director and vice president, and a member of the executive committee of Easyknit. Ms. Lui has been involved in the textiles industry for over 30 years and has extensive experience in design, manufacturing, marketing and distribution of apparel. She serves as director of various subsidiaries of the Company and Easyknit. Ms. Lui was appointed to the Board as an executive Director in 2003 and was appointed as deputy chairman in 2006. She is a sister-in-law of Mr. Lai Law Kau, the chairman, chief executive officer, and an executive Director of the Company. Ms. Lui is also the mother of Ms. Koon Ho Yan Candy, the president and chief executive officer, and an executive director of Easyknit.

Mr. Kwong Jimmy Cheung Tim, aged 81, is an executive Director and authorised representative of the Company, and a member of the executive committee of the Company. Mr. Kwong graduated from The University of Hong Kong in 1965 and was admitted as Barrister-at-Law in the United Kingdom in 1970 and in Hong Kong in 1973 respectively. Mr. Kwong has over 30 years of experience in the legal field. Mr. Kwong was appointed to the Board as an independent non-executive Director in 2003, and was subsequently re-designated as an executive Director in 2007. In 2007, Mr. Kwong was appointed as the chairman and chief executive officer of the Company. Mr. Kwong also serves as director of various subsidiaries of the Company and a subsidiary of Easyknit. In October 2020, Mr. Kwong was re-designated from the chairman and chief executive officer and the chairman of the executive committee of the Company to an executive Director and a member of the executive committee of the Company; and resigned as a member of the nomination committee and the remuneration committee of the Company.

Independent non-executive Directors

Mr. Kan Ka Hon, aged 73, is an independent non-executive Director of the Company since 2003. Mr. Kan is also the chairman and a member of the audit committee, and a member of the remuneration committee and the nomination committee of the Company. Mr. Kan holds a Bachelor's Degree in Science from The University of Hong Kong and is a fellow member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. Mr. Kan has over 30 years of experience in accounting and finance. Mr. Kan was an independent non-executive director of Victory City International Holdings Limited (stock code: 539).

Mr. Lau Sin Ming, aged 63, is an independent non-executive Director of the Company since 2004. Mr. Lau is also the chairman and a member of the remuneration committee, and a member of the audit committee and the nomination committee of the Company. Mr. Lau is a fellow member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. Mr. Lau has over 30 years of experience in accounting and auditing and is now working as a tax consultant.

Mr. Wu Koon Yin Welly, aged 39, is an independent non-executive Director of the Company since 2017. Mr. Wu is also the chairman and a member of the nomination committee, and a member of the audit committee and the remuneration committee of the Company. Mr. Wu holds a Master in Finance degree from the University of Essex and a Bachelor of Commerce degree in the University of Sydney, Australia. Mr. Wu has over 15 years of extensive experience in the brokerage industry.

b) Business address of the Directors of the Company

The business address of the Directors, the senior management and authorised representatives of the Company is the same as the Company's head office and principal place of business in Hong Kong located at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

13. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Company comprised three independent non-executive Directors, namely, Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Wu Koon Yin Welly. The audit committee of the Company is chaired by Mr. Kan Ka Hon. The audit committee of the Company is responsible for monitoring and reviewing the risk management procedures and internal control system of the Group.

14. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.eminence-enterprise.com) for 14 days from the date of this circular:

- (i) the annual reports of the Company for the years ended 31 March 2022, 2023 and 2024 respectively;

- (ii) the material contract disclosed in the paragraph under the heading “8. Material Contracts” in this Appendix to this circular;
- (iii) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 28 of this circular;
- (iv) the letter of advice from Independent Financial Adviser, the text of which is set out on pages 29 to 52 of this circular;
- (v) the independent reporting accountants’ assurance report on the unaudited pro forma financial information of the Group set out in Appendix II to this circular; and
- (vi) the written consents of the experts referred to in the section headed “9. Experts and Consents” in this Appendix.

15. MISCELLANEOUS

- a. As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- b. As at the Latest Practicable Date, the Group had no exposure to foreign exchange liabilities.
- c. The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

NOTICE OF SPECIAL GENERAL MEETING



EMINENCE ENTERPRISE LIMITED

高山企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Eminence Enterprise Limited (the “**Company**”) will be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Thursday, 19 December 2024 at 9:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** subject to and conditional upon The Stock Exchange of Hong Kong Limited granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares (as defined below, in their nil-paid and fully-paid forms) to be allotted and issued to the shareholders of the Company (the “**Shareholder(s)**”) pursuant to the terms and conditions of the Rights Issue becoming unconditional:

- (a) the issue by way of rights issue (the “**Rights Issue**”) of up to 676,296,232 ordinary shares (the “**Rights Share(s)**”) at the subscription price of HK\$0.092 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the date (the “**Record Date**”) by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the “**Non-Qualifying Shareholders**”) with registered addresses outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) in the proportion of two (2) Rights Shares for every one (1) existing share of the Company then held on the Record Date at the subscription price of HK\$0.092 per Rights Share and otherwise on the terms and conditions set out in the circular of the Company dated 29 November 2024 (the “**Circular**”) be and is hereby approved;
- (b) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as they may deem necessary, desirable or expedient having regard to any restrictions or obligations under the bye-laws of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and

NOTICE OF SPECIAL GENERAL MEETING

- (c) the Directors be and are hereby authorised to approve, sign and execute such documents and take any and all steps, and to do and/or procure to be done any and all acts and things which in their opinion may be necessary, desirable or expedient to implement and carry into effect this resolution”.

By order of the Board
EMINENCE ENTERPRISE LIMITED
Lai Law Kau
Chairman and Chief Executive Officer

Hong Kong, 29 November 2024

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*
Block A, 7th Floor
Hong Kong Spinners Building, Phase 6
481–483 Castle Peak Road
Cheung Sha Wan, Kowloon
Hong Kong

Notes:

1. Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this notice.
2. Voting at the SGM will be taken by poll as required under the Listing Rules.
3. For determining the entitlement of the Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from Monday, 16 December 2024 to Thursday, 19 December 2024 (both days inclusive) during which period no transfer of the Shares will be registered. In order to qualify for entitlement to attend and vote at the SGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Friday, 13 December 2024.
4. Any shareholder entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend, speak and vote instead of him/her at the SGM (or at any adjournment of it). A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the SGM of the Company. A proxy need not be a shareholder of the Company.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
6. In order to be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not less than 48 hours before the time appointed for holding the SGM.
7. Completion and return of the form of proxy shall not preclude a member of the Company from attending the SGM and voting in person at the SGM or any adjournment thereof if he/she/it so desires. If a member of the Company attends the SGM after having deposited the form of proxy, his/her/its form of proxy will be deemed revoked.

NOTICE OF SPECIAL GENERAL MEETING

8. Where there are joint registered holders of any Share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he/she/it were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, then one of the said persons so present being the most, or as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holder stand on the register in respect of the relevant joint holding.
9. References to time and dates in this notice are to Hong Kong time and dates.
10. The English text of this notice shall prevail over the Chinese text in case of inconsistency.
11. If a black rainstorm warning signal, a tropical cyclone warning signal no. 8 or above or “extreme conditions” caused by super typhoons is in force at or at any time after 8:00 a.m. on the date of the meeting, the meeting will be postponed. The Company will publish an announcement on the website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.eminence-enterprise.com) to notify members of the date, time and place of the rescheduled meeting.
12. As at the date of this notice, the Board comprises Mr. Lai Law Kau, Ms. Lui Yuk Chu and Mr. Kwong Jimmy Cheung Tim as executive Directors; and Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Wu Koon Yin Welly as independent non-executive Directors.