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EMINENCE ENTERPRISE LIMITED

高山企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

MANDATE FOR POSSIBLE VERY SUBSTANTIAL ACQUISITION IN RELATION TO AUCTION OF 11&13 MATHESON STREET, CAUSEWAY BAY PURSUANT TO THE LAND (COMPULSORY SALE FOR REDEVELOPMENT) ORDINANCE

The Company, through its indirect wholly-owned subsidiary, owns 12 out of 14 units in Matheson Building and plans to bid at the Auction, to be held by order of the Lands Tribunal, for the Matheson Building, which includes the Remaining Unit.

The Lands Tribunal has determined the reserve price for the Matheson Building at the Auction at HK\$441,000,000.

If the Company wins the Auction the Possible Acquisition will constitute a very substantial acquisition for the Company. If the Company does not win the Auction it will become obliged to sell its entire interest in the Matheson Building to the successful bidder and will constitute a very substantial disposal for the Company

As one or more of the applicable percentage ratios in respect of the Possible Acquisition will be more than 100%, the Possible Acquisition will constitute a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

A circular containing, among others, (i) further information on the Possible Acquisition; (ii) the valuation report on the Matheson Building including the Remaining Unit; (iii) notice of the SGM and (iv) other information required under the Listing Rules will be despatched to Shareholders on or before 11 September 2017.

An application has been made by the Company to the Stock Exchange for appropriate waivers from the disclosure requirements under Listing Rules 14.58(4), 14.58(7), 14.69(4)(b)(i) and (ii) in relation to the Possible Acquisition and such waivers have been granted by Stock Exchange.

BACKGROUND

The Company has long kept shareholders informed of its efforts to secure ownership of the entire Matheson Building (including the Remaining Unit). The final stage in that process is a sale by auction of the entire Matheson Building (including the Remaining Unit) and the related Possible Acquisition or possible disposal at the Auction, by order of the Lands Tribunal.

The value of the entire Matheson Building including the Remaining Unit lies in its redevelopment potential, not in its potential for use in its current state.

Information on the Remaining Unit

The Remaining Unit is at the ground floor of No. 11 Matheson Street (part of Matheson Building) with a saleable area of approximately 1,060 sq.ft. The Registered Owner is the owner of the Remaining Unit, which has been determined by the sale order which is 42% of the value of the entire Matheson Building.

The Remaining Unit is vacant now, but a tenancy agreement is on file at the Land Registry. The term of the tenancy is 4 years from 1 December 2013 to 30 November 2017 at (1) a monthly rental of HK\$240,000 during the period from 1 December 2013 to 30 November 2015; and (2) a monthly rental of HK\$300,000 from 1 December 2015 to 30 November 2017. The Company tried to obtain financial information about the Remaining Unit required by the Listing Rules and approached the owner of the Remaining Unit. However, despite requests made by it and its legal advisers to the owner and its lawyers the Company has been unable to gain full access to the underlying books and records and has no information regarding the income net profits, direct costs and other expenses relating to the Remaining Unit.

Since the full information of such leased property is not available to the Company despite the efforts to obtain the same. As the Company intends to redevelop the Matheson Building, so the historical information of this nature is irrelevant and of no benefits to the Shareholder. Therefore the Company has applied for the waivers for strict compliance on Listing Rules 14.58(7), 14.69(4)(b)(i) and (ii) and the same was granted by Stock Exchange.

To the best knowledge of the Directors, having made all reasonable enquiries, the Registered Owner of the Remaining Unit is a third party, independent of the Company and connected persons (as defined in the Listing Rules) of the Company, its subsidiaries and their respective associates (as defined in the Listing Rules). The Directors do not know what the principal activities of the Registered Owner are.

Information on the Matheson Building

Matheson Building, a 53 years' building, is a composite 6-storey building comprising 14 units located at No. 11 and 13 Matheson Street, Causeway Bay, Hong Kong with a site area of approximately 1,836 sq.ft.

Information on 12 units owned by the Group

The Company, through its wholly-owned subsidiary, is the registered owner of 12 units of Matheson Building with a total saleable area of 6,459 sq.ft. representing approximately 85.71% of the undivided shares of the Matheson Building. As at the date of the announcement, all these 12 units have been leased and the annual rental is approximately HK\$2,684,839.

The book value of the Group's 12 units in Matheson Building was HK\$327,600,000 as at 31 March 2017 and they have the acquisition cost of approximately HK\$264,077,000.

Compulsory Sale and Redevelopment of Matheson Building

In December 2015, pursuant to section 3(1) of the Ordinance, the Company filed an application to the Lands Tribunal for an order to sell all the undivided shares of the Matheson Building (including those owned by the Company, as required by the Ordinance) for the purposes of redevelopment, with a view to bidding in the Auction and acquiring the Remaining Unit. On 31 July 2017 the Lands Tribunal issued an order for sale by way of the Auction. There is no certainty that the Company will win the Auction and if it is won by another bidder the Company will be obliged to sell its entire interest in the Matheson Building to that bidder.

Valuation and Order

(1) Remaining Unit

The value of the Remaining Unit is determined by the sale order which is 42% of the entire building, therefore the value of the Remaining Unit is HK\$185,220,000.

For reference, according to the valuation report issued by Knight Frank Petty Limited on 2 May 2017, the existing use value and the redevelopment value of the Remaining Unit is HK\$130,223,520 and HK\$173,754,000 respectively.

	Valuation <i>HK\$</i>	per sq.ft. <i>HK\$</i>
<u>Remaining Unit</u>		
(1) Knight Frank's valuation on 2 May 2017		
(a) existing use value	130,223,520	122,852
(b) redevelopment value	173,754,000	163,919
(2) Lands Tribunal's judgement dated 31 July 2017	185,220,000	174,736

(2) Matheson Building

For the sale order issued by the Lands Tribunal dated 31 July 2017 set the reserve price for the entire Matheson Building at the Auction at HK\$441,000,000.

For reference, pursuant to the valuation report issued by Knight Frank Petty Limited on 2 May 2017, the existing use value and the redevelopment value of the entire Matheson Building (including the Remaining Unit) has been estimated at HK\$310,056,000 and HK\$413,700,000 respectively.

	Valuation <i>HK\$</i>	per sq.ft. <i>HK\$</i>
<u>Matheson Building</u>		
(1) Knight Frank's valuation on 2 May 2017		
(a) existing use value	310,056,000	41,236
(b) redevelopment value	413,700,000	55,021
(2) Lands Tribunal's judgement dated 31 July 2017	441,000,000	58,651

Sales Procedures

Pursuant to the Ordinance, the entire Matheson Building is to be sold by order of the Lands Tribunal by public auction within 3 months from 31 July 2017. The Lands Tribunal has determined the reserve price for the Matheson Building at the Auction at HK\$441,000,000 and the Lands Tribunal has appointed trustees to arrange the Auction, amongst other things. The auctioneer will be selected by the trustees. Each of the trustees is a partner in a law firm which provides legal advice to the Company but is otherwise a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company, its subsidiaries and their respective associates (as defined in the Listing Rules). The Auction will be open to the public and anybody may bid at it.

The Company understands that the bidding process at the Auction will be fully in accordance with normal market practice and that the Ordinance requires the Matheson Building to be sold to the highest bidder at the Auction. Bidding will be open with bidders making open bids for the Matheson Building in full view of each other and with each bid being immediately known to all participants, as in a Government land auction, in a process regulated by the auctioneer and on the terms ordered by the Lands Tribunal. The Company believes that the terms of the Auction will be consistent with market practice for court-ordered sales by auction.

The Matheson Building will be sold if the highest bid price is higher than or equal to the reserve price.

According to section 5(4) of the Ordinance, if the lot is not sold by auction within 3 months (or, if the Lands Tribunal grants an extension for another 3 months, then a total of 6 months) immediately following the date of the sale order, then the order ceases to have any legal effect. The consequence will be that every party will go back to the situation it was in before the making of the compulsory sale application, as if the compulsory sale order had never been made by the Lands Tribunal and the applicant has never lodged the compulsory sale application.

Given the open nature of the bidding process in the Auction, the publicly available information about the Matheson Building and Remaining Unit and the transparent nature of the Hong Kong property market, the Directors are satisfied that they have all information necessary to make a properly-informed bid at the Auction.

Business activities

The Group is principally engaged in the property investment, property development, securities investment and money lending businesses.

POSSIBLE ACQUISITION

The Board plans, through the Company's indirect wholly-owned subsidiary, to bid at the Auction for the Matheson Building.

Auction Ceiling of Matheson Building

The Company will bid at the Auction will be HK\$441,000,000 (the reserve price) or a sum in excess of that amount. The price it actually bids and will be required to pay if its bid is successful will depend on, among others, the Group's perception of the property market and its prospects at the date of the Auction, as well as the bids made by competitors at the Auction.

In order not to compromise the commercial interests of the Company the maximum price which the Company is willing to consider paying is not disclosed in this announcement because the Directors consider that to put the maximum amount for bidding would only place the Company at a severe disadvantage to competing bidders at the Auction. In this regard, the Company has applied for a waiver on strict compliance of Listing Rules 14.58(4) and the same was granted by the Stock Exchange.

Shareholders should be aware of the following latest transactions in broadly comparable properties in Causeway Bay:

Transaction Date	Description of the Retail Unit	Age of the Building	Saleable Area <i>sq.ft.</i>	Transacted Price <i>HK\$</i>	Price psf <i>HK\$</i>
18 July 2017	G/F, Fortune Center Yun Ping Road Causeway Bay Hong Kong	24	160	18,650,000	116,562
10 November 2016	G/F., Hoi To Court 15-27 Cannon Street Causeway Hong Kong	53	190	49,000,000	257,895

Bidding Price

The Board will consider the following factors before making a decision to continue the bid in the Auction:

1. based on the reserve price the minimum price for the bidding of the Remaining Unit is HK\$185,220,000;
2. the valuation report issued by Knight Frank Petty Limited on 2 May 2017;
3. the existing use value and redevelopment value of the Matheson Building;
4. the latest transacted prices in Causeway Bay referred to above;
5. the breakeven price on the sale of 12 units of Matheson Building owned by the Group on the book value as at 31 March 2017, being HK\$327,600,000; and
6. the availability of internal resources and banking facilities.

If the Company is the winning bidder

The reserve price for the entire Matheson Building is HK\$441,000,000, so that to be successful the Company must bid at the Auction at least HK\$441,000,000 and be the highest bidder.

Since the Group already owns 12 units of the Matheson Building, if the Company bids successfully and wins the Auction at HK\$441,000,000 so the Possible Acquisition proceeds the cash outlay by the Company (before costs) will be the price attributable to the Remaining Unit, or 42% of the bid price. Based on the reserve price, that is HK\$185,220,000.

If the Company's bid is successful, the Matheson Building site will be redeveloped together with an adjacent property already owned by the Company into a new composite commercial building and it will reap the benefits of scale both in terms of development costs, and future sales or leasing of the such properties.

The Possible Acquisition will be financed partly by bank financing, to be arranged, and partly in cash from internal resources of the Company. If no appropriate financing is available to the Company above a given price it will not bid above that price.

If the Company loses in the Auction

If the Group loses the Auction and it won by another bidder, the Company will be obliged to sell its entire interest in the 12 units of the Matheson Building to that bidder.

The net losses (both before and after taxation) attributable to the Group's 12 units in Matheson Building for the two financial years ended 31 March 2017 were HK\$2,962,117 and HK\$10,049,489 respectively due to the valuation of the Matheson Building issued by an independent valuer valued as at 31 March 2016 and 2017 is the existing use value of the Matheson Building.

Though the Company will receive 58% of the final bidding price, if the loses the Auction the Company will lose the opportunity to redevelop the Matheson Building site together with the adjacent property owned by the Company.

Reasons for and benefits of the Possible Acquisition

The reason for the Possible Acquisition is to gain full control of the Matheson Building and the redevelopment of it to be a composite commercial building.

The value of the entire Matheson Building including the Remaining Unit lies in its redevelopment potential, not in its potential for use in its current status.

Since the Company, through its subsidiary, is already the registered owner of 12 units of Matheson Building, if the Company wins the Auction, it will demolish the Matheson Building and redevelop it together with an adjacent property owned by the Company and reap the benefits of scale both in terms of development costs in future sales or leasing of the new composite commercial building.

The Directors consider that the Matheson Building site has great investment potential given its good location and the possible redevelopment represents a valuable opportunity for the Group to increase its revenue and earnings base.

The Directors consider that the Possible Acquisition is in the interests of the Company and the Shareholders as a whole and that the terms thereof will be fair and reasonable.

Major terms of Possible Acquisition

If the Company wins the Auction and the Possible Acquisition proceeds the relevant Company subsidiary will be obliged to pay the Registered Owner's pro rata share (determined by the Lands Tribunal at 42%) of the price bid for the entire Matheson Building and the Registered Owner will be obliged to transfer to the subsidiary title to the Remaining Unit. All stamp duty and registration fees on transfer of the Remaining Unit will be payable by the subsidiary.

Implications of Possible Acquisition under the Listing Rules

Based on the reserve price of HK\$441,000,000, the consideration for the Possible Acquisition shall be HK\$185,220,000 and one or more of the applicable percentage ratios of the Possible Acquisition will exceed 100% which would constitute it a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and therefore it is required to be subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

Failure to approve Possible Acquisition

If the mandate to acquire the interest in the Matheson Building not already owned by the Group by way of the Possible Acquisition is not approved by Shareholders at the SGM, the Group will not bid at the Auction and will be obliged to sell its entire interest in the Matheson Building to the winning bidder at the Auction – the possible disposal will take place and this will constitute as a very substantial disposal for the Company.

Non-participation at Auction by Easyknit International Holdings Limited

Having made enquiries of its Directors and of Easyknit International Holdings Limited, the securities of which are listed on the main board of the Stock Exchange (Stock Code: 1218), and through subsidiaries the single largest shareholder of the Company holding approximately 20.44% of the issued voting shares in the Company, the Company understands that none of them or their respective associates (as that term is defined in the Listing Rules) intends to participate in the Auction.

Voting

To the best of the Directors' information, knowledge and belief having made all reasonable enquiries, no Shareholder has a material interest in the Possible Acquisition and no Shareholder will require to abstain from voting at the SGM in respect of the Possible Acquisition.

GENERAL

A circular containing, among others, (i) further information about the Possible Acquisition; (ii) the valuation report on the Matheson Building including Remaining Unit; (iii) notice of the SGM and (iv) other information required under the Listing Rules will be despatched on or before 11 September 2017.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve, the Possible Acquisition.

As the Possible Acquisition may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.

Definitions

In the announcement, the following terms have the meanings set opposite them.

“Auction”	the public auction of the entire interest in the Matheson Building on an “as-is” basis to take place by order of the Lands Tribunal
“Board”	the board of Directors of the Company
“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
“Group”	the Company and its subsidiaries
“HK\$	Hong Kong dollars, the lawful currency of Hong Kong
“Lands Tribunal”	the Lands Tribunal established under the Lands Tribunal Ordinance (Cap 17)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Matheson Building”	a non-industrial building at No. 11 and 13 Matheson Street, Causeway Bay, Hong Kong
“Ordinance”	the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545)
“Possible Acquisition”	the acquisition by the Group of the Remaining Unit at the Auction, if its bid at the Auction is successful
“possible disposal”	the mandatory disposal of the Group’s entire interest in the Matheson Building if its bid at the Auction is not successful and another bidder wins the Auction
“Registered Owner”	the registered owner of the Remaining Unit as recorded in the land register of the Hong Kong Land Registry
“Remaining Unit”	ground floor and cockloft of No. 11 Matheson Street of the Matheson Building, which is not already owned by the Company
“SGM”	the special general meeting of the Company to be convened to consider and if thought fit approve the Possible Acquisition
“Shares”	shares of HK\$0.01 each in the share capital of the Company

“Stock Exchange”

the Stock Exchange of Hong Kong Limited

By Order of the Board
EMINENCE ENTERPRISE LIMITED
Jimmy Kwong Cheung Tim
Chairman and Chief Executive Officer

Hong Kong, 22 August 2017

As at the date hereof, the board of directors of the Company comprises Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu as executive directors; Mr. Kan Ka Hon, Mr. Lau Sin Ming, Mr. Foo Tak Ching and Mr. Wu Koon Yin Welly as independent non-executive directors.