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

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EMINENCE ENTERPRISE LIMITED

高山企業有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 616)

CONNECTED TRANSACTION PROPOSED ISSUE OF CONVERTIBLE NOTE UNDER SPECIFIC MANDATE AND NOTICE OF SPECIAL GENERAL MEETING

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



紅日資本有限公司

RED SUN CAPITAL LIMITED

A notice convening the SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Monday, 18 September 2017 at 9:00 a.m. is set out on pages N-1 to N-2 of this circular. A form of proxy for use at the SGM is enclosed with this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish. Delivery of an instrument appointing a proxy shall not preclude you from attending and voting in person at the SGM and in such event, the instrument appointing a proxy shall be deemed revoked.

28 August 2017

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DEFINITIONS

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

“2014CB”	the 2% coupon rate convertible note issued by the Company to Goodco on 27 March 2014 in the aggregate principal amount of HK\$100,000,000 conferring rights to convert Shares on the basis of the then prevailing conversion price of HK\$22.72 per Share, of which the total outstanding amount is HK\$20,000,000
“2015CB”	the 3% per annum coupon rate convertible note issued by the Company to Madian Star Limited on 12 June 2015 in the aggregate principal amount of HK\$86,000,000 conferring rights to convert Shares on the basis of the prevailing conversion price of HK\$0.16 per Share pursuant to the subscription agreement dated 26 May 2015, no conversion rights has been exercised yet
“2017CB”	the 3% per annum coupon rate convertible note to be issued by the Company to Goodco in the aggregate principal amount of HK\$16,000,000 conferring rights to convert Shares on the basis of the conversion price of HK\$0.16 per Share pursuant to the subscription agreement dated 1 March 2017, no conversion rights has been exercised yet
“acting in concert”	the meaning ascribed to it under the Takeovers Code
“associates”	the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of Eminence
“Business Day”	a day (other than a Saturday, Sunday or public holiday or a day on which typhoon signal 8 or above or black rainstorm is hoisted in Hong Kong at 9:00 a.m.) on which banks are generally open for business in Hong Kong
“CN”	the 3% per annum coupon convertible note in the principal amount of HK\$28,200,000 to be issued by the Company to Goodco pursuant to the Subscription Agreement

DEFINITIONS

“Company” or “Eminence”	Eminence Enterprise Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“Conditions Precedent”	the conditions precedent for completion of the Subscription Agreement to take place as set out in the paragraphs headed “Conditions Precedent” in this circular
“connected person(s)”	the meaning ascribed to it in the Listing Rules
“Conversion Share(s)”	the Share(s) to be allotted and issued by the Company upon the exercise of the conversion rights of CN
“Directors”	the directors of Eminence
“Easyknit”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange (Stock Code: 1218)
“FW Building”	a building known as Fung Wah Factorial Building which is situated at No. 646, 648 and 648A Castle Peak Road, Kowloon, Hong Kong with a total of 32 units
“FW Remaining Units”	6 units of FW Building which are (1) Units A1, C1 and D of ground floor; (2) Unit A of 1st floor; (3) Unit D of 2nd floor; and (4) Unit A of 5th floor
“Goodco” or “Subscriber”	Goodco Development Limited, the noteholder of 2017CB and CN, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Easyknit, being a substantial shareholder of the Company (as defined in the Listing Rules)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all four independent non-executive Directors formed for the purpose of advising the Independent Shareholders on the Subscription Agreement (together with the transactions contemplated therein, including the issue of CN, the allotment and issue of the Conversion Shares under the specific mandate)
“Independent Financial Adviser” or “Red Sun Capital”	Red Sun Capital Limited, a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement (together with the transactions contemplated therein, including the issue of CN, the allotment and issue of the Conversion Shares under the specific mandate)
“Independent Shareholders”	the Shareholders, other than (i) the Subscriber and parties acting in concert with it; (ii) the Directors (excluding the independent non-executive Directors); (iii) the chief executive of the Company and their respective associates; and (iv) Shareholders interested or involved in the Subscription Agreement
“Issue Date”	the date of issue of CN, which shall be on the date of completion of the Subscription Agreement
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Easyknit, being a substantial shareholder of the Company (as defined in the Listing Rules)
“Last Trading Day”	4 August 2017, being the last trading day of the Shares prior to the execution of the Subscription Agreement
“Latest Practicable Date”	25 August 2017, being the latest practicable date prior to the printing of the circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Matheson Remaining Unit”	ground floor of No. 11 Matheson Street, Causeway Bay, Hong Kong
“PRC”	the People’s Republic of China
“Project Inverness”	a residential property development project at No. 14 to 20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting to be convened and held on Monday, 18 September 2017 at 9:00 a.m. for the purpose of considering, if thought fit, approving the Subscription Agreement (together with the transactions contemplated therein, including the issue of CN, the allotment and issue of the Conversion Shares under specific mandate)
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of Eminence
“Shareholder(s)”	holder(s) of Share(s)
“specific mandate”	the specific mandate proposed to be granted to the Directors to allot and issue the Conversion Shares of CN
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	conditional subscription of CN by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement dated 7 August 2017 entered into between the Company and the Subscriber in relation to the Subscription and issue of CN
“substantial shareholder(s)”	the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“%”	percentage

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. Kwong Jimmy Cheung Tim
(Chairman & Chief Executive Officer)
Ms. Lui Yuk Chu *(Deputy Chairman)*

Independent Non-executive Directors:

Mr. Kan Ka Hon
Mr. Lau Sin Ming
Mr. Foo Tak Ching
Mr. Wu Koon Yin Welly

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

28 August 2017

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
PROPOSED ISSUE OF CONVERTIBLE NOTE
UNDER SPECIFIC MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 7 August 2017 relating to the Subscription Agreement (together with the transactions contemplated therein, including the issue of CN, the allotment and issue of the Conversion Shares under the specific mandate).

The purpose of this circular is to provide you with, among other things, (i) particulars of the Subscription Agreement (together with the transactions contemplated therein, including the issue of CN, the allotment and issue of the Conversion Shares under the specific mandate); (ii) the relevant recommendations of the Independent Board Committee to the Independent Shareholders, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement (together with the transactions contemplated therein, including the issue of CN, the allotment and issue of the Conversion Shares under the specific mandate); and (iv) a notice of SGM.

LETTER FROM THE BOARD

A. THE SUBSCRIPTION AGREEMENT

1. Background and parties to and date of the Subscription Agreement

On 7 August 2017, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for CN for a principal amount of HK\$28,200,000 for a term of 3 years at a conversion price of HK\$0.06 per Share. The Directors understood from Goodco that the reason to subscribe the CN is because Goodco intends to maintain its equity interests in the Company of not less than 25% and CN is the appropriate method because of no immediate dilution to the other Shareholders at the time of subscription. A summary of the principal terms of the Subscription Agreement is set out below.

Date: 7 August 2017

Parties: Eminence (as the issuer); and

Goodco Development Limited (as the Subscriber), a substantial shareholder of the Company

2. Issue of the CN

Pursuant to the Subscription Agreement, Eminence has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the CN in the aggregate principal amount of HK\$28,200,000, which will be issued on face value.

3. Conditions Precedent

Completion of the Subscription Agreement is conditional upon the fulfillment of the following:

- (i) the Independent Shareholders having passed the ordinary resolutions at the SGM to approve the Subscription Agreement and the transactions contemplated therein, including the issue of CN and the allotment and issue of the Conversion Shares under the specific mandate in accordance with the requirements of the Listing Rules; and
- (ii) the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares.

If any of the Conditions Precedent has not been fulfilled on or before 30 September 2017 or such other date as may be agreed in writing by the Company and the Subscriber, the Subscription Agreement will lapse and the parties thereto will be released from all obligations therein, save for liabilities for any antecedent breaches of the Subscription Agreement.

LETTER FROM THE BOARD

4. Conversion Price and Exercise Price

The initial conversion price of HK\$0.06 per Conversion Share represents:

- (i) a premium of approximately 3.45% over the closing price of HK\$0.058 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 1.69% over the closing price of HK\$0.059 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) no discount the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day, being approximately HK\$0.06 per Share;
- (iv) a discount of approximately 15.49% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day, being approximately HK\$0.071 per Share;
- (v) a discount of approximately 50.82% over the average of the closing prices of the Shares as quoted on the Stock Exchange for last six months up to and including the Last Trading Day, being approximately HK\$0.122 per Share; and
- (vi) a discount of approximately 94.55% to the consolidated net asset value of the Company of approximately HK\$1.10 per Share based on the audited consolidated net assets of approximately HK\$2,452,153,000 as at 31 March 2017 and 2,236,832,059 Shares in issue as at the Latest Practicable Date.

5. Completion

Subject to all the Conditions Precedent having been fulfilled, completion of the Subscription Agreement shall take place on the second Business Day after satisfying the conditions above, or such other date as may be agreed by the Company and the Subscriber in writing. Upon completion of the Subscription Agreement, all the net proceeds of CN of HK\$27,800,000 will be used for financing of the bidding of the Matheson Remaining Unit in the public auction which is to be held in October 2017.

LETTER FROM THE BOARD

6. Principal Terms of CN

The principal terms of CN are summarised below:

Total issue price and principal amount upon issue: HK\$28,200,000

Maturity Date: The date falling on the third anniversary of the issue date, on which all outstanding principal amount, together with all outstanding accrued interests, of CN will become due and payable by the Company to the noteholder.

Redemption price at maturity: 100% of the outstanding principal amount of CN on the maturity date, together with all unpaid and accrued interest due on the outstanding principal amount of CN.

Redemption: The Company may at any time before the maturity date by written notices to the Subscriber, and with consent of Subscriber, redeem CN (in whole or in part) at 100% to the principal amount of the part of CN to be redeemed.

Any amount of CN which remains outstanding on the maturity date shall be redeemed at 100% of its then outstanding principal amount.

Any amount of CN which is redeemed by the Company will be forthwith cancelled.

Interest: CN will bear interest on the outstanding principal amount thereof from the Issue Date at a rate of 3% per annum. Interest will be payable semi-yearly in arrears. In the event that the Company does not pay any sum payable under the CN when due, a default interest at the rate of 5% per annum for the relevant default payment period will be payable by the Company.

The interest rate was determined by the parties after arm's length negotiations and with references to: (i) the prevailing market conditions; and (ii) the indicative costs of mid-term/long-term debt finance (without any pledges and securities) preliminarily quoted to Eminence by its banks upon general enquiries.

LETTER FROM THE BOARD

Conversion Rights: A noteholder will have the rights to convert the whole or part of the outstanding principal amount of CN (in amount of not less than a whole multiple of HK\$1,000,000 on each conversion, unless the outstanding principal amount of CN to be converted is less than HK\$1,000,000 in which case the whole (but not part only) of that amount shall be converted) into the Conversion Shares at any time during the conversion period (as detailed below) at the conversion price (subject to adjustments).

The Company will not be obliged to issue any Conversion Shares if (i) immediately following the conversion, the Company will be unable to meet the prescribed minimum public float requirement under the Listing Rules; or (ii) a mandatory general offer will be required to be made by the noteholder and parties acting in concert with it under the Takeovers Code unless a whitewash waiver is obtained.

Conversion Period: The period from the date falling on the issue date up to and including the date falling on the fifth last Business Day prior to the maturity date.

Conversion Price: CN shall be converted at the conversion price. Upon issue of the CN, the initial conversion price will be HK\$0.06 per Conversion Share (subject to adjustments).

The conversion price shall be adjusted as provided in CN instrument in each of the following cases:

- (i) an alteration of the number of the Shares by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account, contributed surplus account or capital redemption reserve fund);

LETTER FROM THE BOARD

- (iii) a capital distribution (as defined in the CN instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of the Shares in their capacity as such;
- (iv) an offer or grant being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares at a price which is less than 80 per cent. of the market price;
- (v) an issue wholly for cash or for reduction of liabilities being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share (as defined in the CN instrument) initially receivable (or in the case of reduction in liabilities, the amount of liabilities to be reduced) for such securities is less than 80 per cent. of the market price, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than 80 per cent. of the market price;
- (vi) an issue being made by the Company wholly for cash or for reduction of liabilities of Shares at a price per Share less than 80 per cent. of the market price;
- (vii) an issue being made by the Company of Shares for the acquisition of asset at a total effective consideration per Share (as defined in the CN instrument) less than 80 per cent. of the market price; and
- (viii) an issue wholly made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares for the acquisition of asset, if in any case the total effective consideration per Share (as defined in the CN instrument) initially receivable for such securities is less than 80 per cent. of the market price.

LETTER FROM THE BOARD

If there is any adjustment event occurred which leads to the number of Conversion Shares issuable under the CN exceeds the specific mandate threshold, then the Subscriber shall be entitled to convert CN into such number of Conversion Shares subject to the specific mandate threshold based on the adjusted conversion price and any outstanding remaining principal amount of CN shall be redeemed by the Company on the maturity date in accordance with the terms herein.

- Ranking of the Conversion Shares: The Conversion Shares, when allotted and issued upon exercise of the conversion rights, shall rank *pari passu* in all respects with all other then issued Shares as at the date of the relevant conversion notice and shall be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the relevant conversion notice.
- Transferability: No assignment or transfer (whether in whole or in part(s)) of CN may be made unless it is made to (i) the holding company; (ii) the subsidiaries; or (iii) associates of the noteholder.
- Voting: The noteholder will not be entitled to attend or vote at any meetings of the Company by reason only of being the noteholder.
- Others: Upon execution of the Subscription Agreement, the Subscriber has undertaken not to exercise the conversion rights if it would result in (a) the non-compliance of the prescribed minimum public float requirement under the Listing Rules applicable to Eminence; or (b) a mandatory general offer for the Shares being required to be made by the Subscriber and the parties acting in concert with it under the Takeovers Code unless the whitewash waiver is obtained.

Assuming that the conversion rights in relation to the total principal amount of CN being HK\$28,200,000 are exercised in full at the conversion price of HK\$0.06 per Conversion Share, a total of up to 470,000,000 Conversion Shares will be allotted and issued, representing approximately 21.01% of the issued share capital of the Company as at the Latest Practicable Date and approximately 13.68% of the issued share capital of the Company as enlarged by the allotment and issue of such Conversion Shares (assuming that save for the issue of the 470,000,000 Conversion Shares, there will be no change to the issued share capital of the Company from the Latest Practicable Date up to (and including) the date of issue of such Conversion Shares resulting from exercise in full of the conversion rights).

LETTER FROM THE BOARD

As at the Latest Practicable Date, Goodco confirmed that it has no intention to exercise the conversion rights attached to CN and shall only exercise the conversion rights at the time when Goodco prefers to have equity interests in the Company.

The Company will seek a specific mandate from the Independent Shareholders for the allotment and issue of the Conversion Shares of CN at the SGM. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued upon exercise of the Conversion Rights. No application will be made for the listing of the CN on the Stock Exchange or any other stock exchange.

7. Information on the Subscriber and Easyknit

The Subscriber, a wholly-owned subsidiary of Easyknit, a company incorporated in the British Virgin Islands with limited liability and is a substantial Shareholder holding 363,781,194 ordinary Shares and 100,880,281 underlying Shares, representing approximately 20.77% of the issued share capital of the Company as at the Latest Practicable Date. Eminence is the associated company of Easyknit.

As at the Latest Practicable Date, Landmark Profits, a wholly-owned subsidiary of Easyknit, owns 93,549,498 Shares (representing approximately 4.18% of the issued share capital of the Company). The Subscriber is therefore acting in concert with Easyknit and Landmark Profits.

Easyknit is principally engaged in property investment, property development, securities investment and loan financing business.

LETTER FROM THE BOARD

8. Shareholding Structure

The following table shows the shareholding structure of the Company as at the Latest Practicable Date and immediately after the issue of 470,000,000 Conversion Shares assuming exercise in full of the conversion rights at the Conversion Price of HK\$0.06 per Conversion Share (based on the existing shareholding structure of the Company and assuming that save for the issue of the 470,000,000 Conversion Shares to the Subscriber), there will be no change in the issued share capital of the Company from the Latest Practicable Date up to (and including) the date of issue of such Conversion Shares:

	As at the Latest Practicable Date		Immediately upon the full exercise of the conversion rights of CN, 2014CB, 2015CB, 2017CB and share options	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Substantial Shareholders				
Landmark Profits	93,549,498	4.18	93,549,498	2.72
Goodco				
– Shares	363,781,194	16.26	363,781,194	10.59
– underlying Shares of				
(i) 2014CB (<i>notes 1 & 3</i>)	880,281	0.00	880,281	0.03
(ii) 2017CB (<i>notes 2 & 3</i>)	100,000,000	0.00	100,000,000	2.91
(iii) CN	–	–	470,000,000	13.68
Sub-total	457,330,692	20.44	1,028,210,973	29.93
Directors' and deemed interests in underlying Shares				
– share options (<i>note 5</i>)	33,900,000	0.00	33,900,000	0.99
Sub-total	457,330,692	20.44	1,062,110,973	30.92
Noteholder				
– underlying Shares of 2015CB (<i>note 4</i>)	537,500,000	0.00	537,500,000	15.64
Balance of share options (<i>note 5</i>)	56,500,000	0.00	56,500,000	1.64
Public				
Other public	1,779,501,367	79.56	1,779,501,367	51.80
Total	2,236,832,059	100.00	3,435,612,340	100.00

LETTER FROM THE BOARD

Notes:

1. The entire issued share capital of the Subscriber is indirectly held by Easyknit.
2. The entire issued share capital of Landmark Profits is directly held by Easyknit.
3. The Subscriber and Landmark Profits, are wholly-owned subsidiaries of Easyknit and are presumed to be acting in concert for the purpose of the Takeovers Code.
4. Pursuant to the terms of the 2015CB, Madian Star Limited may convert at any time within the 7-year period commencing from 12 June 2015.
5. Assuming no exercise of the 90,400,000 share options which were granted to the employees of the Company on 14 October 2016 as the conversion price HK\$0.176 which is higher than the current market Share price.

9. Reasons for the Issue of CN and Use of Proceeds

As at 31 July 2017, the Group had unaudited cash and cash equivalents of approximately HK\$349.5 million, of which, approximately RMB48.6 million (equivalent to approximately HK\$55.7 million) is tied up in the PRC as investment capital which is not practical to transfer back to Hong Kong. Of the balance of HK\$293.8 million, (1) approximately HK\$49.7 million has been earmarked for the acquisition of the Matheson Remaining Unit; (2) a total of approximately HK\$157.9 million has been earmarked for the construction cost of the Project Inverness; (3) HK\$54.2 million is earmarked for the acquisition of FW Remaining Units; and (4) the remaining balance of HK\$32.0 million shall be applied for the general working capital of the Group.

The gross proceeds from the issue of the Convertible Note will be HK\$28,200,000 and the net proceeds are estimated to be approximately HK\$27,800,000 respectively. Pursuant to the terms of the Subscription Agreement, upon completion thereof, all the net proceeds will be used for financing of the bidding of the Matheson Remaining Unit in the public auction which is to be held in October 2017.

Having considered the issue of CN to Goodco, the Directors has a view that the shareholdings of the public Shareholder shall not diluted immediately until CN is fully converted to Conversion Shares; and at the same time the Company can improve the cash position.

Other than fund-raising by issuing convertible note, the Company has considered other equity financing alternatives such as placing of new shares and the rights issue. As the Company only completed the placing of new shares on 19 July 2017, the Board has a view that it is not appropriate to do another placing within a period which is less than a month. In addition, the Board shall only consider to raise funds by rights issue at the time when the Company has to finance any acquisition of the properties and/or the development cost.

As at 30 June 2017, the Group's bank borrowings amounted to approximately HK\$810.8 million and the gearing ratio of the Group as a ratio to bank borrowings to total equity, is 0.33.

LETTER FROM THE BOARD

In addition, the effective interest rate for secured bank borrowings of the Group for the year end 31 March 2017 was approximately 2.58%. Considering the expected rise of interest of US dollar which may in turn affect HK dollar, the Directors has a view that the coming bank interest would be in an increasing trend. As such, the issuance of CN as long financing with constant interest rate would be in the interest of the Company and the Shareholders. Furthermore, the Directors note that unlike bank financing, the issuance of CN to the Subscriber does not require any pledging of real estates.

Having considered the above, the Directors (excluding the independent non-executive Directors, are of the view that the Subscription Agreement, the transactions contemplated therein are fair and reasonable and in the interests of Eminence and the Shareholders as a whole.

10. Listing Rules Implications

Easyknit (through its wholly-owned subsidiaries) currently holds approximately 20.44% of the total issued share capital of the Company and is the substantial shareholder of the Company, thus is a connected person of the Company. The transactions contemplated under the Subscription Agreement constitute a connected transaction for the Company under the Listing Rules, and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Subscriber, and the parties acting in concert (including but not limited to Easyknit and Landmark Profits) shall abstain from voting at the SGM on the resolution approving the Subscription Agreement (together with the transactions contemplated thereunder, including the issue of the CN, the allotment and issue of the Conversion Shares under the specific mandate).

Ms. Lui Yuk Chu (being the executive Director, the substantial Shareholder and the executive director of Easyknit) abstained from voting on the relevant board resolution(s) in view of their material interests in the Subscription. Save as disclosed above, no Director had a material interest in the Subscription and thus was required to abstain from voting on the board resolution(s) in the board meeting of the Company for considering and approving the Subscription.

The Company has established the Independent Board Committee to advise the Independent Shareholders with respect to the Subscription, and provide recommendation as to voting. The Company has appointed Red Sun Capital as the Independent Financial Adviser (whose appointment has been approved by the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders as to the terms of the Subscription and as to voting.

LETTER FROM THE BOARD

SGM

A notice convening the SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Monday, 18 September 2017 at 9:00 a.m. is set out on pages N-1 to N-2 of this circular.

Regardless of your ability to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

In accordance with the Listing Rules, the resolutions are to be passed voted by the Independent Shareholders at the SGM.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the SGM, the register of members will be closed from Wednesday, 13 September 2017 to Monday, 18 September 2017, both days inclusive. During such period, no share transfers of the Company will be registered. In order to qualify to attend and vote at the SGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 12 September 2017.

RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders on the Subscription Agreement (together with the transactions contemplated therein, including the issue of CN, the allotment and the issue of the Conversion Shares under the specific mandate), are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in connection therewith. The text of the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 and 38 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on page 18 of this circular.

LETTER FROM THE BOARD

Having taken into consideration the factors and reasons stated above, the Board is of the opinion that the Subscription Agreement (together with the transactions contemplated therein, including the issue of CN, the allotment and issue of the Conversion Shares under the specific mandate) are fair and reasonable and are in the best interests of the Company and the Shareholders as whole and the Board recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

CONSENT

Red Sun Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter set out therein and reference to its name in the form and context in which they appear respectively.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility, for the accuracy of the information contained in this circular and confirm having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

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



EMINENCE ENTERPRISE LIMITED

高山企業有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 616)

28 August 2017

To the Independent Shareholders,

Dear Sir or Madam,

**CONNECTED TRANSACTION
PROPOSED ISSUE OF CONVERTIBLE NOTE**

We refer to the circular of the Company dated 28 August 2017 (“**Circular**”) and have been appointed as members of the Independent Board Committee to advise you in respect of the Subscription Agreement (together with the transactions contemplated therein, including the issue of CN, the allotment and issue of the Conversion Shares under the specific mandate), details of which are set out in the Letter from the Board in the Circular, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw your attention to the letter from Red Sun Capital as set out on pages 19 to 38 of the Circular, which contains its advices and recommendations to us as to whether or not the Subscription Agreement (together with the transactions contemplated therein, including the issue of CN, the allotment and issue of the Conversion Shares under the specific mandate) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, as well as the principal factors and reasons for its advices and recommendations.

Having considered, among other matters, the factors and reasons considered by, and the opinion of, Red Sun Capital as stated in its aforementioned letter, we are of the opinion that the Subscription Agreement (together with the transactions contemplated therein, including the issue of CN, the allotment and issue of the Conversion Shares under the specific mandate) are fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Subscription Agreement (together with the transactions contemplated therein, including the issue of the CN, the allotment and issue of the Conversion Shares under the specific mandate).

Yours faithfully,

For and on behalf of the Independent Board Committee

Kan Ka Hon
*Independent non-
executive Director*

Lau Sin Ming
*Independent non-
executive Director*

Foo Tak Ching
*Independent non-
executive Director*

Wu Koon Yin Welly
*Independent non-
executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.



紅日資本有限公司
RED SUN CAPITAL LIMITED

28 August 2017

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

Dear Sir or Madam,

**CONNECTED TRANSACTION
PROPOSED ISSUE OF CONVERTIBLE NOTE
UNDER SPECIFIC MANDATE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement (together with the transactions contemplated therein, including the issue of CN and the allotment and issue of the Conversion Shares under the specific mandate), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company to the Shareholders dated 28 August 2017 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 7 August 2017, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for the CN for a principal amount of HK\$28,200,000. Completion of the Subscription Agreement is subject to the satisfactory completion of the Conditions Precedent. The initial conversion price of the CN (the “**Conversion Price**”) is HK\$0.06 per Conversion Share, and the CN will carry an interest of 3.0% per annum and will mature on the third anniversary of the Issue Date.

Given that the Subscriber is a connected person of the Company, the Subscription constitutes a connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules.

The Subscriber, and the parties acting in concert (including but not limited to Easyknit, and Landmark Profits) shall abstain from voting at the SGM on the resolution approving the Subscription Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all independent non-executive Directors, namely, Mr. Kan Ka Hon, Mr. Lau Sin Ming, Mr. Foo Tak Ching and Mr. Wu Koon Yin Welly, has been formed to advise the Independent Shareholders on the Subscription Agreement. All members of the Independent Board Committee have confirmed to the Company that they are independent with respect to the Subscription and are thus suitable to give advice and recommendation to the Independent Shareholders.

Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee. We do not by this letter warrant the merits of the above transaction other than to form an opinion for the purpose of the Listing Rules. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to whether or not (i) the Subscription Agreement was entered into in the ordinary and usual course of the business of the Company and on normal commercial terms; (ii) the Subscription Agreement is fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Subscription Agreement.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in or referred to the Circular and the representations made to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations as soon as possible in accordance with Rule 13.80 of the Listing Rules until the SGM. We have also 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 advisers 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any statement contained in the Circular, including this letter, incorrect or misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we acted only once as the independent financial adviser to the independent board committee and the independent shareholders of the Company. The date of the relevant circular and our letter of advice was 5 April 2017 and the nature of the transactions were (i) refreshment of general mandate to issue new shares; (ii) connected transaction relating to the proposed issue of convertible bond under specific mandate; and (iii) issue of revised conversion shares of another convertible bonds under specific mandate.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE SUBSCRIPTION AGREEMENT

In arriving at our opinion in respect of the Subscription Agreement, we have taken into consideration the following principal factors and reasons:

(A) Reasons for entering into the Subscription Agreement

(1) To finance the acquisition of the Matheson Remaining Unit

As at 31 July 2017, the Group had unaudited cash and cash equivalents of approximately HK\$349.5 million, of which, approximately RMB48.6 million (equivalent to approximately HK\$55.7 million) is tied up in the PRC as investment capital which is not practical to transfer back to Hong Kong. Of the balance of approximately HK\$293.8 million, (i) approximately HK\$49.7 million has been earmarked for the acquisition of the Matheson Remaining Unit; and (ii) a total of approximately HK\$157.9 million raised from the Company's previous fund raising activities has been earmarked for the construction cost of the Project Inverness; (iii) HK\$54.2 million is earmarked for the acquisition of FW Remaining Units; and (iv) the remaining balance of HK\$32.0 million shall be applied for the general working capital of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note that only approximately HK\$32.0 million is left for the Group's working capital. The net proceeds from the Subscription Agreement, together with the cash of approximately HK\$49.7 million earmarked for the acquisition of the Matheson Remaining Unit, is expected to be used for the financing of the bidding of the Matheson Remaining Unit in the public auction which is to be held in October 2017.

(2) Business overview of the Group

The Group is principally engaged in property investment, property development, securities investment and loan financing business. The following table summarises the consolidated financial results of the operating segments of the Group from its continuing operations for each of the two financial years ended 31 March 2016 and 31 March 2017, which are extracted from the Company's annual report for the financial year ended 31 March 2017 (the "Annual Report") respectively:

	Financial year ended 31 March 2016 HK\$'000	Financial year ended 31 March 2017 HK\$'000
Segment revenue		
Garment sourcing and exporting	75,208	195
Property investment	23,786	29,384
Property development	–	–
Securities investment	–	–
Loan financing	4,445	6,939
Consolidated	103,439	36,518
Segment profit/(loss)		
Garment sourcing and exporting	(8,067)	(662)
Property investment	(16,257)	10,769
Property development	(15,306)	(6,643)
Securities investment	(11,354)	(14,705)
Loan financing	4,324	6,774
Consolidated	(46,660)	(4,467)
Loss before taxation	(61,238)	(29,592)
Loss for the year attributable to owners of the Company	(69,268)	(26,627)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note that from the Annual Report that the revenue decreased from approximately HK\$103.4 million for the financial year ended 31 March 2016 to approximately HK\$36.5 million for the financial year ended 31 March 2017, representing a decrease of approximately HK\$66.9 million or 64.7%. The main reason was due to the gradual cessation of garment sourcing and export business segment.

The loss for the year attributable to owners of the Company reduced from approximately HK\$69.3 million for the financial year ended 31 March 2016 to approximately HK\$26.6 million for the financial year ended 31 March 2017. The main reason is due to (i) the decrease in cost of goods sold and services rendered from approximately HK\$67.0 million for the financial year ended 31 March 2016 to approximately HK\$0.2 million for the financial year ended 31 March 2017; (ii) the loss on changes in fair value of investment properties reduced from approximately HK\$33.4 million for the financial year ended 31 March 2016 to approximately HK\$12.8 million for the financial year ended 31 March 2017; and (iii) the written-down of properties held for trading of approximately HK\$15.5 million for the financial year ended 31 March 2016 which was a one-off event and not recurrent for the financial year ended 31 March 2017, and partly offset by (i) the increase in administration expenses from approximately HK\$30.4 million for the financial year ended 31 March 2016 to approximately HK\$32.9 million for the financial year ended 31 March 2017; (ii) the increase in finance costs from approximately HK\$15.1 million for the financial year ended 2016 to approximately HK\$19.2 million for the financial year ended 31 March 2017; and (iii) the impairment loss on available-for-sale investments increase from nil for the financial year ended 31 March 2016 to approximately HK\$14.2 million for the financial year ended 31 March 2017.

The following table summarises the consolidated financial position of the Group as at 31 March 2016 and 2017, which is extracted from the Annual Report:

	As at 31 March 2016	As at 31 March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	1,524,381	1,526,852
Current assets	1,049,705	1,880,798
Current liabilities	115,937	560,523
Non-current liabilities	133,705	394,974
Net assets	2,324,444	2,452,153

We note from the Annual Report that the majority of the non-current assets of the Group as at each of the reporting dates stated in the above table was investment properties. The investment properties amounted to approximately HK\$1,333.3 million as at 31 March 2016 and approximately HK\$1,320.4 million as at 31 March

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2017. The majority of the current assets of the Group as at each of the reporting dates stated in the above table was properties held for development for sale. The properties held for sale amounted to approximately HK\$524.0 million as at 31 March 2016 and approximately HK\$1,035.8 million as at 31 March 2017.

We also note that the net cash from operating activities for the financial year ended 31 March 2016 changed to the net cash used in operating activities for the financial year ended 31 March 2017. The net cash generated from operating activities was approximately HK\$123.3 million for the financial year ended 31 March 2016 and the net cash used in operating activities was approximately HK\$569.8 million for the financial year ended 31 March 2017, representing a difference of approximately HK\$446.4 million. The increase was attributable to the increase in properties held for development for sale increased by HK\$393.3 million for the financial year ended 31 March 2017.

The Group conducted various investment activities that tied up the cash balance of the Company. For the financial year ended 31 March 2016, the Group purchased investment properties of approximately HK\$214.9 million and acquired financial assets of approximately HK\$407.6 million. For the financial year ended 31 March 2017, the Group purchased financial assets of approximately HK\$376.0 million and purchased investment properties of approximately HK\$13.8 million.

(3) *The cash and debt position of the Group as at 31 July 2017 are as follows:*

As advised by the Company, the cash and debt position of the Group as at 31 July 2017 are as follows:

	As at 31 July 2017 HK\$'000
Cash and cash equivalents	349,500
Total loan amount	810,347

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Breakdown of type of loan	As at 31 July 2017 HK\$'000	Interest rate %	Reason for borrowing and details of assets pledged
Mortgage loan	93,269	1.97% to 2.21%	Pledged assets of 6 Cannon Street and 148 Johnston Road
Term loan	415,000	2.79% to 2.81%	Pledged assets of no.11, 13 and 15 Matheson Street
Construction loan	302,078	2.44%	Pledge assets of No.14-20 Inverness Road

We note that loans of the Group are on floating rates and in view of the pace of increasing interest rates in the United States, we consider that the interest rates of the Group are likely to increase in the future which in turn will increase the finance cost of the Group. With reference to the total loan amount of approximately HK\$810.3 million as at 31 July 2017, and assuming the interest rate increased by 0.25%, the interest expenses of the Group would be increased by approximately HK\$2.0 million each year which will further increase the finance cost of the Group.

(4) *Financing alternatives*

As advised by the Directors, for the purpose of this fund raising, the Company has considered other equity financing alternatives such as placing of new shares and rights issue. The Company completed the placing of new Shares of 325,000,000 new Shares on 19 July 2017 and the Board considers that another placing within a period which is less than a month was not appropriate since the terms of further placing would not be favourable. The Company has also considered rights issue but the Board decided to consider to raise funds by rights issue only at the time when the Company has to finance any acquisition of the properties and/or development costs.

As stated in the Annual Report, the effective interest rate for secured bank borrowings of the Group for the financial year ended 31 March 2017 was approximately 2.58%. Considering the expected rise of interest rate of US dollar which may in turn affect the interest rate of HK dollar, we concur with the view of the Directors that the coming bank interest rate would be in an increasing trend. As such, the issuance of the CN as long financing with constant interest rate would be in the interest of the Company and its Shareholders. In addition, we note that unlike bank financing, the issuance of the CN to the Subscriber does not require any pledging of real estates or any other assets.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that (i) the Subscriber has indicated its willingness to subscribe for the CN; and (ii) the management of the Company confirmed that in the event the Company intends to raise fund, they would exercise due and careful consideration to choose the best financing method available to the Company including, among others, placing of Shares under the general mandate, rights issue, open offer and debt financing, we are of the view and concur with the view of the management of the Company that the issuance of CN to the Subscriber is in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the issue of the CN will be HK\$28,200,000 and the net proceeds are estimated to be approximately HK\$27,800,000. Pursuant to the terms of the Subscription Agreement, upon completion thereof, the net proceeds will be used for all the financing of the bidding of the Matheson Remaining Unit in the public auction which is to be held in October 2017.

(5) *Our view*

Based on the above and having considered in particular that:

- (i) approximately HK\$317.5 million out of the cash and cash equivalent of approximately HK\$349.5 million as at 31 July 2017 (unaudited) had been tied up, earmarked or intended to be used in different development projects, the Company had cash and cash equivalents of approximately HK\$32.0 million (unaudited) left for the Group's working capital as at 31 July 2017 and the issuance of the CN will enhance the cash position of the Group; and
- (ii) the Subscriber has indicated its willingness to subscribe for the CN while other equity financing alternatives such as placing and rights issue are lack of market demand and/or not likely to be in favourable terms and bank financing would be time consuming and inflexible,

we consider that the entering into of the Subscription Agreement is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

(B) Principal terms of the Subscription Agreement

(1) *Key terms of the Subscription Agreement and background of the Subscriber*

On 7 August 2017, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the CN in the aggregate principal amount of HK\$28,200,000. The initial Conversion Price is HK\$0.06 per Conversion Share, and the CN will carry an interest of 3.0% per annum and will mature on the third anniversary of the Issue Date. Further details of the Subscription Agreement are set out in the Board Letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Board Letter, the Subscriber is a company incorporated in the British Virgin Islands with limited liability and is a substantial Shareholder holding 363,781,194 Shares and 100,880,281 underlying Shares, representing approximately 20.77% of the issued share capital of the Company as at the Latest Practicable Date. The Subscriber is also a wholly-owned subsidiary of Easyknit. According to the Rule 14A.11(1) of the Listing Rules, the Subscriber is a connected person of the Company.

(2) Conversion Price

The initial Conversion Price is HK\$0.06 per Conversion Share. As stated in the Board Letter, the initial Conversion Price was determined by the parties to the Subscription Agreement after arm's length negotiations and with reference to the historical prices during the last twelve months and the prevailing market prices of the Shares.

In considering the fairness and reasonableness of the initial Conversion Price, we have conducted the following analyses:

(i) Comparison of the initial Conversion Price with the prevailing Share price

We note that the initial Conversion Price of HK\$0.06 per Conversion Share represents:

- a premium of approximately 3.45% over the closing price of HK\$0.058 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 1.69% over the closing price of HK\$0.059 per Share as quoted on the Stock Exchange on 4 August 2017, being the Last Trading Day before the date of the Subscription Agreement;
- no discount or premium over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day, being approximately HK\$0.06 per Share;

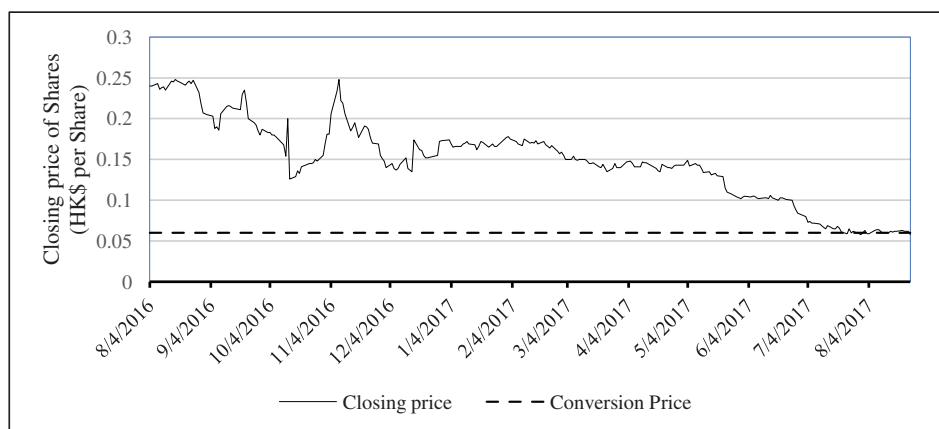
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- a discount of approximately 15.49% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day, being approximately HK0.071 per Share; and
- a discount of approximately 50.82% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last six months up to and including the Last Trading Day, being approximately HK\$0.122 per Share.

Based on the above, we note that the initial Conversion Price represents a discount over the prevailing market price of the Shares in general.

(ii) *Comparison of the initial Conversion Price with historical price of the Shares*

We have reviewed the daily closing price of the Shares as quoted on the Stock Exchange for the twelve-month period ended on and including the Last Trading Day together with the period commencing from the date immediately after the Last Trading Day up to and including the Latest Practicable Date (the “**Review Period**”):



During the Review Period, the closing prices of the Shares ranged from HK\$0.058 per Share to HK\$0.248 per Share. While the initial Conversion Price is within such range of the closing prices of the Shares during the Review Period, we note that the initial conversion price represents:

- a discount of approximately 50.82% to the average of the closing prices of the Shares as quoted on the Stock Exchange for last six months up to and including the Last Trading Day, being approximately HK\$0.122 per Share; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- a discount of approximately 60.78% to the average of the closing prices of the Shares as quoted on the Stock Exchange for last twelve months up to and including the Last Trading Day, being approximately HK\$0.153 per Share.

We note that the initial Conversion Price represents a discount over the prevailing market price of the Shares in general as analysed in the section headed “Comparison of the initial Conversion Price with the prevailing Share price” above. We consider that the comparison of the initial Conversion Price with the prevailing Share price is a more relevant analysis than the comparison with historical Share prices over the past six to twelve months when determining the fairness and reasonableness of the initial Conversion Price as the current market price of the Shares can directly reflect the value of shares in prevailing market conditions. Therefore, we are of the view that the Conversion Price is fair and reasonable as it reflects the current market price.

(iii) Comparison of the initial Conversion Price with the net asset value per Share

We note that the initial Conversion Price of HK\$0.06 per Conversion Share represents a discount of approximately 94.5% to the consolidated net asset value per Share of the Group of approximately HK\$1.10 based on the consolidated net assets of approximately HK\$2,452,153,000 as at 31 March 2017 as disclosed in the Annual Report and the total number of 2,236,832,059 Shares in issue as at the Last Practicable Date. We note that the discount of approximately 94.5% to the consolidated net asset value of the Group represented by the initial Conversion Price is substantial.

We consider that the market price is a more prevailing factor in determining the fairness and reasonableness of the Conversion Price. Discount to the net asset value should be taken as a reference only. We consider that the current market price of the Shares can directly reflect the value of the Shares that is generally perceived by the market having taken into account all business segments of the Group as well as the prevailing market conditions. Therefore, we are of the view that the Conversion Price is fair and reasonable as it reflects the current market price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the trading volume data in respect of the Shares during a period from the start of August 2016 to the Last Trading Day and up to and including the Latest Practicable Date as illustrated in the table below:

	Total trading volume of the Share	Number of trading days in the month	Average daily trading volume of the Shares	Average daily trading volume as a percentage of the then total number of Shares in issue	Average daily trading volume as a percentage of the then total number of issued Shares held by public
2016					
August	103,986,502	22	4,726,659	0.41%	0.67%
September	170,247,765	21	8,107,036	0.63%	0.99%
October	600,021,516	19	31,580,080	2.24%	3.32%
November	288,446,066	22	13,111,185	0.88%	1.27%
December	196,482,905	20	9,824,145	0.63%	0.89%
2017					
January	23,621,721	19	1,243,248	0.08%	0.11%
February	87,330,531	20	4,366,527	0.26%	0.36%
March	101,454,824	23	4,411,079	0.23%	0.30%
April	20,754,571	17	1,220,857	0.06%	0.08%
May	296,070,744	20	14,803,537	0.77%	1.02%
June	247,651,111	22	11,256,869	0.59%	0.77%
July	351,514,544	21	16,738,788	0.81%	1.04%
August (up to and including the Latest Practicable Date	260,186,662	18	14,454,815	0.65%	0.81%

We note that the average number of Shares traded per trading day in each month from August 2016 up to and including the Latest Practicable Date ranged from approximately 0.08% to approximately 3.32% of the then total number of the issued Shares held by the public, and as such, we consider that the trading liquidity of the Shares was at a level that was reasonable sufficient to reflect the value of the Shares generally perceived by the market under the prevailing market conditions. We further note that such market value of the Shares itself (which averages at approximately HK\$0.071 per Share for the 30 consecutive trading days up to and including the Last Trading Day and at approximately HK\$0.122 per Share for the last six months up to and including the Last Trading Day) represents a substantial discount (of approximately 93.55% and approximately 88.91% respectively) to the consolidated net asset value per Share of approximately HK\$1.10.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iv) *Comparison with recent issues of convertible bonds/notes by other listed issuers*

For comparison purpose, we have, on a best effort basis, conducted a search of all recent issues of convertible bond(s) or convertible note(s) by companies listed on the Stock Exchange (excluding the issuance for acquisition) that were announced during the three-month period prior to the Last Trading Day (the “**Comparable Issues**”) by searching through published information on the Stock Exchange’s website. Based on such criteria, we have identified 27 Comparable Issues. To the best of our knowledge, effort and endeavour and based on our search conducted according to the aforesaid criteria, the list of Comparable Issues is an exhaustive list of issues of convertible bond(s) or convertible note(s) meeting the aforesaid criteria.

We compared the respective premium/discount over/to the closing price of the shares of such companies on the relevant last trading day (the “**Premium/(Discount) – Last**”), on last 5 consecutive trading day (the “**Premium/(Discount) – 5**”), on last 30 consecutive trading day (the “**Premium/(Discount) – 30**”) and for the last six months up to the last trading day (the “**Premium/(Discount) – 6m**”) as represented by the conversion price of such Comparable Issues with the corresponding Premium/(Discount)-Last, Premium/(Discount) – 5, Premium/(Discount) – 30 and Premium/(Discount) – 6m represented by the initial Conversion Price.

We set out our findings in the table below:

Issuers of the Comparable Issues (stock code)	Announcement date of the Comparable Issues	Conversion period <i>Approximate number of years</i>	Conversion price per share <i>HK\$</i>	Premium/(Discount) -Last <i>approximate %</i>	Premium/(Discount) -5 <i>approximate %</i>	Premium/(Discount) -30 <i>approximate %</i>	Premium/(Discount) -6m <i>approximate %</i>	Interest rate <i>approximate %</i>
China Metal Resources Utilization Limited (1636)	31/7/2017	2	2.99	0.67%	-0.07%	-0.10%	-1.32%	8.00%
PINE Technology Holdings Limited (1079)	28/7/2017	3	0.63	1.60%	12.90%	6.78%	-1.41%	7.00%
Get Nice Financial Group Limited (1469)	28/7/2017	2	1.05	-13.90%	-14.60%	-14.63%	-4.46%	2.00%
C.Banner International Holdings Limited (1028)	20/7/2017	2	3.57	19.80%	20.12%	17.13%	22.39%	4.00%
3SBio Inc. (1530)	12/7/2017	5	14.28	40.00%	38.69%	34.60%	48.80%	0.00%
Ourgame International Holdings Limited (6899)	12/7/2017	2.5	2.666	17.96%	22.52%	26.35%	-0.89%	6.00%
Culture Landmark Investment Limited (674)	3/7/2017	2	0.215	-9.70%	-9.70%	-23.76%	-36.20%	0.00%
North Asia Resources Holdings Limited (61)	27/6/2017	3	0.0327	2.19%	2.83%	-0.91%	9.00%	6.50%
Sinco Pharmaceuticals Holdings Limited (6833)	25/6/2017	2	0.506	6.53%	4.55%	0.60%	-4.35%	8.00%
Imperial Pacific International Holdings Limited (1076)	16/6/2017	2	0.176	36.43%	40.13%	37.50%	29.41%	4.00%
China U-Ton Holdings Limited (6168)	15/6/2017	2	1.00	13.60%	13.90%	7.07%	7.99%	8.00%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Issuers of the Comparable Issues (stock code)	Announcement date of the Comparable Issues	Conversion period <i>Approximate number of years</i>	Conversion price per share <i>HK\$</i>	Premium/ (Discount) -Last	Premium/ (Discount) -5	Premium/ (Discount) -30	Premium/ (Discount) -6m	Interest rate
				<i>approximate %</i>	<i>approximate %</i>	<i>approximate %</i>	<i>approximate %</i>	
Pps International (Holdings) Limited (8201)	15/6/2017	1	0.06	3.45%	-0.66%	-88.44%	-90.21%	0.00%
Kiu Hung International Holdings Limited (381)	14/6/2017	2	0.12	14.29%	17.19%	34.83%	55.84%	9.00%
Freeman Fintech Corporation Limited (279)	6/6/2017	2	0.425	-16.67%	-19.51%	-13.27%	-14.31%	4.00%
E-Commodities Holdings Limited (1733)	2/6/2017	5	0.90	10.00%	11.49%	-4.66%	-19.43%	5.00%
Gold-Finance Holdings Limited (1462)	1/6/2017	2	1.50	26.05%	24.79%	21.75%	16.73%	6.00%
China Ocean Fishing Holdings Limited (8047)	29/5/2017	2	0.24	-38.50%	-44.30%	-35.66%	-21.31%	13.00%
Cash Financial Services Group Limited (510)	26/5/2017	3	0.31	-3.13%	-2.82%	-44.48%	-53.93%	4.00%
Yuxing Infotech Investment Holdings Limited (8005)	26/5/2017	1	1.40	44.30%	41.40%	15.99%	-4.04%	6.00%
Tempus Holdings Limited (6880)	25/5/2017	1	2.3	21.10%	22.60%	-90.45%	-90.83%	6.00%
China Finance Investment Holdings Limited (875)	24/5/2017	1	0.033	-15.40%	-16.70%	-38.89%	-76.92%	5.80%
Code Agriculture (Holdings) Limited (8153)	24/5/2017	3	0.305	-40.20%	-25.25%	-35.24%	-64.45%	6.00%
Synertone Communication Corporation (1613)	23/5/2017	2	0.16	15.11%	11.27%	5.96%	-1.23%	5.00%
China Hanking Holdings Limited (3788)	17/5/2017	0.5	1.45	2.11%	9.19%	30.75%	40.91%	5.00%
Larry Jewelry International Company Limited (8351)	16/5/2017	2	0.25	72.41%	81.69%	115.52%	113.68%	6.50%
Larry Jewelry International Company Limited (8351)	16/5/2017	2	0.30	106.90%	118.02%	158.62%	156.41%	7.50%
China Household Holdings Limited (692)	12/5/2017	2	0.38	-18.28%	-5.71%	21.41%	50.20%	2.00%
			Maximum	106.90%	118.02%	158.62%	156.41%	13.00%
			Minimum	-40.20%	-44.30%	-90.45%	-90.83%	0.00%
			Average	11.04%	13.04%	5.35%	2.45%	5.34%
The Company		3	0.06	1.69%	-	-15.49%	-50.82%	3.00%

Note: In calculating the average, we have averaged out positive numbers (premiums) with negative numbers (discounts). We consider that such average figure is meaningful as it indicates whether, on average, the conversion price of the Comparable Issues represents a premium (if the average figure is a positive number) or a discount (if the average figure is a negative number) over/to the then prevailing market price of the relevant shares, and the magnitude of such premium or discount.

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As illustrated in the table above, we note that the Premium/(Discount) – Last represented by the conversion prices of the Comparable Issues ranges from a discount of approximately 40.2% to a premium of approximately 106.9%, with an average of a premium of 11.04%. The Premium/(Discount) – Last represented by the Conversion Price therefore falls within the range of the Premium/(Discount) – Last of the Comparable Issues.

We note that the Premium/(Discount) – 5 represented by the conversion prices of the Comparable Issues ranges from a discount of approximately 44.3% to a premium of approximately 118.02%, with an average of a premium of 13.04%. The Premium/(Discount) – 5 represented by the Conversion Price therefore falls within the range of the Premium/(Discount) – 5 of the Comparable Issues.

We note that the Premium/(Discount) – 30 represented by the conversion prices of the Comparable Issues ranges from a discount of approximately 90.45% to a premium of approximately 158.62%, with an average of a premium of 5.35%. The Premium/(Discount) – 30 represented by the Conversion Price therefore falls within the range of the Premium/(Discount) – 30 of the Comparable Issues.

We note that the Premium/(Discount) – 6m represented by the conversion prices of the Comparable Issues ranges from a discount of approximately 90.83% to a premium of approximately 156.41%, with an average of a premium of 2.45%. The Premium/(Discount) – 6m represented by the Conversion Price therefore falls within the range of the Premium/(Discount) – 6m of the Comparable Issues.

We note that the interest rates in respect of the Comparable Issues ranged from nil to 13.00% per annum, with an average of approximately 5.34% per annum. The interest rate of the CN, being 3% per annum, therefore falls within the range of the interest rates of the Comparable Issues and is lower than the average interest rate of the Comparable Issues.

(v) *Our view*

Although the initial Conversion Price represents a substantial discount to the consolidated net asset value of the Group, based on the totality of all of the factors mentioned above and having considered in particular that:

- (a) the trading liquidity of the Shares, as analysed above, was at a level that was reasonably sufficient to reflect the value of the Shares generally perceived by the market under the prevailing market conditions, while such market value of the Shares itself (which averages at approximately HK\$0.06 per Share for the last five consecutive trading days up to and

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including the Last Trading Day, at approximately HK\$0.071 per Share for the last 30 consecutive trading days up to and including the Last Trading Day, and at approximately HK\$0.122 per Share for the last six months up to and including the Last Trading Day) represents a substantial discount (of approximately 94.55%, 93.55%, and 88.91% respectively) to the consolidated net asset value per Share of approximately HK\$1.10 per Share;

- (b) the Premium/(Discount) – Last, Premium/(Discount) – 5, Premium/(Discount) – 30 and Premium/(Discount) – 6m represented by the Conversion Price are fall within the respective ranges of Comparable Issues;
- (c) the Group has a funding need to finance the acquisition of the Matheson Remaining Unit, which is expected to have a substantial cash outflow to the Group; and
- (d) the interest rate of the CN, being 3% per annum, falls within the range of the interest rates of the Comparable Issues and is lower than the average interest rate of the Comparable issues,

we are of the view that the Conversion Price and the interest rate of the CN are fair and reasonable so far as the Independent Shareholders are concerned.

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(C) Dilution effect on the shareholding interests of the existing public Shareholders

	As at the Latest Practicable Date		Immediately upon the full exercise of the conversion rights of CN, 2014CB, 2015CB, 2017CB and share options	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Substantial Shareholders				
Landmark Profits	93,549,498	4.18	93,549,498	2.72
Goodco				
– Shares	363,781,194	16.26	363,781,194	10.59
– underlying Shares of				
(i) 2014CB (<i>notes 1 & 3</i>)	880,281	0.00	880,281	0.03
(ii) 2017CB (<i>notes 2 & 3</i>)	100,000,000	0.00	100,000,000	2.91
(iii) CN	–	–	470,000,000	13.68
Sub-total	457,330,692	20.44	1,028,210,973	29.93
Directors' and deemed interests in underlying Shares				
– share options (<i>note 5</i>)	33,900,000	0.00	33,900,000	0.99
Sub-total	457,330,692	20.44	1,062,110,973	30.92
Noteholder				
– underlying Shares of 2015CB (<i>note 4</i>)	537,500,000	0.00	537,500,000	15.64
Balance of share options (<i>note 5</i>)	56,500,000	0.00	56,500,000	1.64
Public				
Other public	1,779,501,367	79.56	1,779,501,367	51.80
Total	2,236,832,059	100.00	3,435,612,340	100.00

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Notes:

1. The entire issued share capital of the Subscriber is indirectly held by Easyknit.
2. The entire issued share capital of Landmark Profits is directly held by Easyknit.
3. The Subscriber and Landmark Profits, are wholly-owned subsidiaries of Easyknit and are presumed to be acting in concert for the purpose of the Takeovers Code.
4. Pursuant to the terms of the 2015CB, Madian Star Limited may convert at any time within the 7-year period commencing from 12 June 2015.
5. Assuming no exercise of the 90,400,000 share options which were granted to the employees of the Company on 14 October 2016 as the conversion price HK\$0.176 which is higher than the current market Share price.

As shown in the above table, the shareholding interests of the existing public Shareholders in the Company would be diluted from approximately 79.56% to 51.80% representing a dilution of approximately 27.76%, immediately after the full conversion of the 2014CB, 2017CB and the CN at their respective conversion price.

Taking into account:

- (i) the reasons for the issue of the CN;
- (ii) the potential prospect of the acquisition of the Matheson Remaining Unit;
- (iii) that the terms of the Subscription Agreement are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned as discussed in the section headed “Principal terms of the Subscription Agreement” above; and
- (iv) as discussed under the below section headed “Financial effects of the Subscription” that the Group’s capital base would be broadened upon conversion of the CN,

we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

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(D) Financial effects of the Subscription

(1) *Effect on the net asset value*

Given that the CN, when being booked into the financial statements of the Group, will consist of an equity portion and a liability portion which would require assessment and valuation by a professional valuer in accordance with the Hong Kong Financial Reporting Standards, the Company is unable to assess the exact impact of the CN on the net asset value of the Group until reliable estimations of the value of the CN can be made as at the Issue Date.

On the other hand, it is expected that the net asset value of the Group will increase upon conversion of the CN by the Subscriber into Conversion Shares as a result of the decrease in liabilities.

(2) *Effect on gearing*

As mentioned above, since the relevant accounting entries for the issue of the CN have not yet been determined, the impact of the issue of the CN on the gearing level of the Group could not be estimated at this stage.

(3) *Effect on liquidity*

The net proceeds from the issue of the CN are estimated to be approximately HK\$27,800,000, all of which would be used in the financing of the bidding of the Matheson Remaining Unit in the public auction which is to be held in October 2017. The Group could then maintain its cash position at current level.

(4) *Effect on earnings*

As the CN carries an interest of 3.0% per annum and will mature on the third anniversary of the Issue Date, the Directors expect that the future earnings of the Group will be reduced by the amount of interest expense on the CN before maturity or otherwise converted into Conversion Shares.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Subscription Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into consideration the factors and reasons stated above, we are of the opinion that although the entering into of the Subscription Agreement is not in the ordinary and usual course of business of the Group, it is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Subscription Agreement.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited

Robert Siu
Managing Director

Note: Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 18 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' interest in Shares, underlying Shares and debentures

As at the Latest Practicable Date, the Directors and the chief executive of the Company had the following interests and 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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or, chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in Shares:

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of interest
Ms. Lui Yuk Chu	Beneficiary of a trust (<i>note</i>)	457,330,692	123,480,281	580,810,973	25.97%

Note: These Shares are respectively registered in the name of and are beneficially owned by Landmark Profits Limited (“**Landmark Profits**”) and Goodco, both are wholly-owned subsidiaries of Easyknit. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of Easyknit and it is wholly-owned by Ms. Lui Yuk Chu. Magical Profits Limited (“**Magical Profits**”) is interested in approximately 36.74% of the issued share capital of Easyknit. Magical Profits is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by The Winterbotham Trust Company Limited (“**Winterbotham Trust**”) as the trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse). For the 123,480,281 underlying Shares, of which 100,880,281 are the underlying Shares of 2014CB and 2017CB held by Goodco and the remaining 22,600,000 underlying Shares of the share options granted to Ms. Lui Yuk Chu and Mr. Koon Wing Yee (the spouse of Ms. Lui Yuk Chu) on 14 October 2016.

Long positions in underlying Shares:

Name of Director	Date of grant	Exercise price per Share (HK\$)	Number of Share options outstanding	Exercise period	Number of underlying Shares	Approximate percentage of underlying Shares in the Company's total issued share capital (note 1)
Lui Yuk Chu	14 October 2016	0.176	11,300,000	14 Oct 2016 – 13 Oct 2019	11,300,000	0.51%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' interest in Shares and underlying Shares

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the persons (“**Substantial Shareholders**”) (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% 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 or had any options in respect of such capital are set out below:

Name of Shareholder	Note	Capacity	Number of Shares held (long position)	Number of underlying Shares held	Total	Approximate percentage of interest
Lui Yuk Chu	i, ii and iii	Beneficial owner	457,330,692	123,480,281	580,810,973	25.97%
Koon Wing Yee	i	Interest of spouse	457,330,692	123,480,281	580,810,973	25.97%
Landmark Profits	i & ii	Beneficial owner	93,549,498	–	93,549,498	4.18%
Goodco	i & ii	Beneficial owner	363,781,194	123,480,281	464,661,475	20.77%
Easyknit	i & ii	Interest of controlled corporation	457,330,692	123,480,281	580,210,973	25.94%

Name of Shareholder	Note	Capacity	Number of Shares held (long position)	Number of underlying Shares held	Total	Approximate percentage of interest
Magical Profits	<i>i & ii</i>	Interest of controlled corporation	457,330,692	123,480,281	580,810,973	25.94%
Accumulate More Profits Limited	<i>i</i>	Interest of controlled corporation	457,330,692	123,480,281	580,210,973	25.94%
Winterbotham Trust	<i>i & iii</i>	Trustee	457,330,692	123,480,281	580,210,973	25.94%
Winterbotham Holdings Limited	<i>iii</i>	Interest of controlled corporation	457,330,692	123,480,281	580,210,973	25.94%
Markson International Holdings Limited	<i>iii</i>	Interest of controlled corporation	457,330,692	123,480,281	580,210,973	25.94%
Christopher Geoffrey Douglas Hooper	<i>iii</i>	Interest of controlled corporation	457,330,692	123,480,281	580,210,973	25.94%
Ivan Geoffrey Douglas Hooper	<i>iii</i>	Interest of controlled corporation	457,330,692	123,480,281	580,210,973	25.94%
Madian Star Limited		Beneficial owner	–	537,500,000	537,500,000	24.03%
Hu Rong		Beneficial owner	226,040,000	–	226,040,000	10.11%
Able Merchant Limited		Beneficial owner	152,222,222	–	152,222,222	6.81%

Notes:

- (i) In the 457,330,692 Shares, 93,549,498 Shares and 363,781,194 Shares are registered in the name of and beneficially owned by Landmark Profits and Goodco respectively, both are the wholly-owned subsidiaries of Easyknit. Goodco is also interested in 100,880,281 underlying Shares (subject to adjustment) to be issued upon the full conversion of the 2014CB and 2017CB. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of Easyknit International and it is wholly-owned by Ms. Lui Yuk Chu, a Director. Magical Profits is interested in approximately 36.74% of the issued share capital of Easyknit Magical Profits is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Winterbotham Trust as the trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 457,330,692 Shares. For the 123,480,281 underlying Shares, of which 100,880,281 are the underlying Shares of 2014CB and 2017CB held by Goodco and the remaining 22,600,000 underlying Shares of the share options granted to Ms. Lui Yuk Chu and Mr. Koon Wing Yee (the spouse of Ms. Lui Yuk Chu) on 14 October 2016.
- (ii) Ms. Lui Yuk Chu, being Director, is also director of Landmark Profits, Goodco, Easyknit, Sea Rejoice Limited and Magical Profits.
- (iii) Winterbotham Trust is trustee of The Magical 2000 Trust (the beneficiaries of which include Ms Lui Yuk Chu and her family members other than her spouse). Winterbotham Trust is owned as to 75% by Winterbotham Holdings Limited (“**Winterbotham Holdings**”) and 25% by Markson International Holdings Limited (“**Markson**”) respectively. Winterbotham Holdings is owned as to approximately 99.99% by Mr. Christopher Geoffrey Douglas Hooper. And Markson is owned as to 60% by Mr. Christopher Geoffrey Douglas Hooper and 40% by Mr. Ivan Geoffrey Douglas Hooper respectively.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contract with any members of the Group other than contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2017 (being the date to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

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

6. MATERIAL CHANGE

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2017, the date to which the latest published audited financial statements of the Company were made up, up to and including the Latest Practicable Date.

7. EXPERT

The following is the qualifications of the expert who is named in this circular or has given its opinion or advices which are contained in this circular:

Name	Qualification
Red Sun Capital Limited	Independent Financial Adviser

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

- (a) any direct or indirect interests in any assets which have been, since 31 March 2017 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they appear.

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 the special general meeting (“**Meeting**”) of Eminence Enterprise Limited (“**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 Monday, 18 September 2017, at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS TO BE VOTED BY INDEPENDENT SHAREHOLDERS

“THAT:

- (a) the subscription agreement dated 7 August 2017 entered into between the Company and Goodco Development Limited (“**Subscriber**”) (a copy of which is produced to the Meeting marked “A” and signed by the chairman of the Meeting for identification purposes) in relation to the subscription of the convertible note in an aggregate principal amount of HK\$28,200,000 (“**CN**”) to be issued by the Company and all transactions contemplated thereunder and in connection therewith, be and are hereby approved, confirmed and ratified;
- (b) conditional upon the listing committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting the permission to deal in, the Conversion Shares (as defined below), the directors of the Company (“**Directors**”) be and are hereby authorized to (i) issue CN to the Subscriber; and (ii) allot and issue such ordinary shares of HK\$0.01 each in the share capital of the Company which may fall to be issued upon exercise of the conversion rights attaching to CN (“**Conversion Shares**”) on the terms and subject to the conditions of CN; and

NOTICE OF SPECIAL GENERAL MEETING

- (c) the Directors be and are hereby authorized to, for and on behalf of the Company, execute all such documents, instruments and agreements, and do all such acts or things, as they may consider necessary, desirable or expedient to give effect to the subscription agreement and all the transactions contemplated thereunder.”

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

Hong Kong, 28 August 2017

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

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

Notes:

1. A form of proxy for use at the Meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding of the above Meeting.
5. The register of members will be closed from Wednesday, 13 September 2017 to Monday, 18 September 2017, both days inclusive. During such period, no share transfers of the Company will be registered. In order to qualify to attend and vote at the SGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 12 September 2017.
6. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting convened and in such event, the form of proxy will be deemed to be revoked.
7. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.