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

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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 letter from the Board is set out on pages 5 to 25 of this circular.

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 at 9 a.m. on Wednesday, 21 August 2019 is set out on pages N-1 to N-2 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed 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 54, 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 will not preclude Shareholders from attending and voting in person at the SGM or any adjournment thereof should they so wish and, in such case, the form of proxy shall be deemed to be revoked.

2 August 2019

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DEFINITIONS

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

“2015CB”	the 3% per annum coupon rate convertible note issued by Eminence to Madian Star Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, on 12 June 2015 in the aggregate principal amount of HK\$86,000,000 conferring rights to convert at any time before 12 June 2022 the principal amount into Shares on the basis of a conversion price that is at present HK\$0.06 per Share, pursuant to the subscription agreement dated 26 May 2015, as subsequently amended, of which the outstanding amount is HK\$77,600,000
“2017CB1”	the 3% per annum coupon rate convertible note issued by Eminence to Goodco on 11 May 2017 in the principal amount of HK\$16,000,000 conferring rights to convert at any time before 11 May 2022 the principal amount into Shares on the basis of a conversion price that is at present HK\$0.16 per Share, pursuant to a subscription agreement dated 1 March 2017, of which the outstanding amount is HK\$16,000,000
“2017CB2”	the 3% per annum coupon rate convertible note issued by Eminence to Goodco on 26 September 2017 in the aggregate principal amount of HK\$28,200,000 conferring rights to convert at any time before 26 September 2020 the principal amount into Shares on the basis of a conversion price that is at present HK0.06 per Share, pursuant to a subscription agreement dated 7 August 2017, of which the outstanding amount is HK\$11,280,000
“2019CB”	the 3% per annum coupon rate convertible note proposed to be issued by Eminence to Goodco in the principal amount of HK\$70,000,000 conferring rights to convert at any time before the fifth anniversary of the issue thereof the principal amount into Shares on the basis of the conversion price, subject to adjustment pursuant to the Subscription Agreement
“acting in concert”	the meaning ascribed to it in the Takeovers Code
“affiliated company”	the meaning ascribed to it in the Listing Rules
“associate”	the meaning ascribed to it in the Listing Rules
“Board”	the board of directors of Eminence

DEFINITIONS

“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which banks in Hong Kong are open for business
“Capital Distribution”	(without prejudice to the generality of that phrase) includes distributions in cash or specie
“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 (stock code: 616)
“Completion”	completion of the Subscription Agreement by issue of the 2019CB
“Completion Date”	the date of Completion which will be three Business Days after the fulfilment or waiver of the conditions set out in the Subscription Agreement last to be fulfilled or, where permitted, waived, or such other date as the parties to the Subscription Agreement may agree in writing
“Conditions Precedent”	the conditions precedent for completion of the Subscription Agreement including those summarised in the sub-section headed “Conditions Precedent” in this circular
“connected person”	the meaning ascribed to it in the Listing Rules
“Conversion Shares”	the Shares to be allotted and issued by the Company upon exercise of the conversion rights under the 2019CB
“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)
“Eminence Group”	Eminence and its Subsidiaries
“Existing CBs”	the 2015CB, 2017CB1 and 2017CB2
“Goodco” or the “Subscriber”	Goodco Development Limited, the noteholder of 2017CB1 and 2017CB2, a company incorporated in the British Virgin Islands with limited liability, a wholly owned subsidiary of Easyknit, being a substantial shareholder (as defined in the Listing Rules) of the Company
“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 board committee comprising three (3) independent non-executive Directors of Eminence, established for the purposes of advising the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed under the SFO to conduct Type 6 regulated activity as defined in the SFO, the independent financial adviser appointed by Eminence to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	those Shareholders who are not excluded under the Listing Rules from voting to approve the Subscription Agreement
“Issue Date”	the date of issue of the 2019CB, which will be the Completion Date
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of Easyknit and a substantial shareholder (as defined in the Listing Rules) of the Company
“Latest Practicable Date”	29 July 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in it
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2019 or such other date as Eminence and Easyknit may agree
“PRC”	The People’s Republic of China excluding Hong Kong and the Macau Special Administrative Region
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the Subscription Agreement, the notice of which is set out in this circular
“Share Option Scheme”	the share option scheme adopted by the Company on 29 June 2012 under which share options were granted on 14 October 2016
“Shareholders”	holders of Shares

DEFINITIONS

“Shares”	ordinary shares of HK\$0.01 each in the share capital of Eminence
“Specific Mandate”	the specific mandate proposed to be granted to the Directors to allot and issue the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the agreement dated 17 June 2019 entered into between Eminence and the Subscriber in relation to the subscription and issue of the 2019CB
“Subsidiary”	a company which is for the time being and from time to time a subsidiary of the Company for the purposes of the Listing Rules
“substantial shareholder”	the meaning ascribed to it in the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Wing Cheong Factory Building”	Wing Cheong Factory Building, a building located at No. 121 King Lam Street, Kowloon, Hong Kong
“%”	percent

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 and Chief Executive Officer)

Ms. Lui Yuk Chu

(Deputy Chairman)

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent Non-executive Directors:

Mr. Kan Ka Hong

Mr. Lau Sin Ming

Mr. Wu Koon Yin Welly

Head office and principal place of business

in Hong Kong:

Block A, 7th Floor

Hong Kong Spinners Building

Phase 6

481–483 Castle Peak Road

Cheung Sha Wan

Kowloon

Hong Kong

2 August 2019

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

PROPOSED ISSUE OF CONVERTIBLE NOTE UNDER SPECIFIC MANDATE

AND

NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

On 17 June 2019, the Company announced that it had entered into the Subscription Agreement on the same day.

The purpose of this circular is to provide you with, among other things, (i) further information relating to the Subscription Agreement and 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 and the transactions contemplated thereunder; and (iv) notice of the SGM.

LETTER FROM THE BOARD

THE SUBSCRIPTION AGREEMENT

Parties and date

Date: 17 June 2019

Parties: Eminence (as issuer); and
Goodco (as subscriber)

Issue of the 2019CB

Pursuant to the Subscription Agreement, Eminence has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe at face value for, the 2019CB in the principal amount of HK\$70,000,000.

Conditions Precedent

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

- (a) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which Eminence and the Subscriber have no reasonable objection) listing of and permission to deal in the Conversion Shares;
- (b) the Independent Shareholders having passed an ordinary resolution at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder, including but not limited to, the issue of the 2019CB under the Specific Mandate and the allotment and issue of the Conversion Shares;
- (c) if required, the Bermuda Monetary Authority having approved the issue of the Convertible Note and the Conversion Shares and the transferability of the Convertible Note and the Conversion Shares; and
- (d) there being no event existing or having occurred and no condition being in existence which would be (after the issue of the Convertible Note) an event of default under it and no event or act having occurred which, with the giving of notice, or the lapse of time, or both, would (after the issue of the Convertible Note), constitute such an event of default.

At the Latest Practicable Date, the Company had been informed that the consent of the Bermuda Monetary Authority is not required. Condition Precedent (c) is thus satisfied. No other Condition Precedent had been satisfied at the Latest Practicable Date. Condition Precedent (d) may be waived by the Subscriber. None of the other Conditions Precedent can be waived.

If any of the Conditions Precedent has not been fulfilled or where applicable, waived on or before the Long Stop Date, 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.

The issue of the 2019CB will not be conditional on the acquisition of the Wing Cheong Factory Building.

LETTER FROM THE BOARD

Conversion Price and Exercise Price

The initial conversion price of HK\$0.055 per Conversion Share represents:

- (i) no discount to the closing price of HK\$0.055 per Share as quoted on the Stock Exchange on 17 June 2019, being the last trading day before the signing of the Subscription Agreement;
- (ii) no discount to the average of the closing prices of Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including 17 June 2019, being approximately HK\$0.055 per Share;
- (iii) a discount of approximately 5.17% to the average of the closing prices of Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including 17 June 2019, being approximately HK\$0.0580 per Share;
- (iv) a discount of approximately 23.29% to the average of the closing prices of Shares as quoted on the Stock Exchange for last six months up to and including 17 June 2019, being approximately HK\$0.0717 per Share; and
- (v) a premium of approximately 10.00% to the closing price of HK\$0.050 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The initial conversion price was negotiated between the Company and Easyknit on an arm's length basis and negotiations took into account closing prices of the Shares in the days before execution of the Subscription Agreement as well as the conversion prices under the Existing CBs, particularly the 2015CB.

Completion

Subject to all the Conditions Precedent having been fulfilled (or, where applicable, waived), completion of the Subscription Agreement shall take place on the third Business Day after satisfaction of the Conditions Precedent, or such other date as may be agreed by Eminence and the Subscriber in writing.

Principal Terms of the 2019CB

The principal terms of the 2019CB are summarised below:

Issue price and principal amount: HK\$70,000,000

Maturity Date: The fifth anniversary of the issue date, when the entire then-outstanding principal amount, together with all outstanding accrued interest, of the 2019CB will become due and payable by Eminence to the holder of the 2019CB.

Redemption price at maturity: 100% of the principal amount of the 2019CB outstanding on the maturity date, together with all unpaid interest accrued on it.

LETTER FROM THE BOARD

- Redemption:** Any amount of the 2019CB which remains outstanding on the maturity date shall be redeemed in full.
- Any amount of the 2019CB which is redeemed will be cancelled forthwith.
- Interest:** The 2019CB 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.
- The interest rate was determined by the parties after arm's length negotiations and with reference to (i) the prevailing market conditions; and (ii) the indicative costs of unsecured mid-term/long-term debt finance preliminarily quoted to Eminence by its banks upon enquiry.
- Conversion Rights:** The holder of the 2019CB will have the right to convert the whole or part of the outstanding principal amount of the 2019CB (in amounts of not less than an integral multiple of HK\$1,000,000 on each conversion, unless the outstanding principal amount of the 2019CB is less than HK\$1,000,000 in which case the whole (but not part only) of that amount shall be converted) into Conversion Shares at any time during the conversion period (as detailed below) at the conversion price of HK\$0.055 (subject to adjustments).
- 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:** Upon issue of the 2019CB, the initial conversion price will be HK\$0.055 per Conversion Share subject to adjustments on the occurrence of the following:-

LETTER FROM THE BOARD

- (i) If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation or subdivision, the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to such alteration by the fraction:-

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after alteration; and

B is the nominal amount of one Share immediately before alteration.

- (ii) (1) If and whenever the Company shall issue any Shares credited as fully paid to Shareholders by way of capitalisation of profits or reserves, other than Shares issued in lieu of the whole or any part of a cash dividend (the “**Relevant Cash Dividend**”), being a dividend which the Shareholders concerned would or could otherwise have received in cash (“**Scrip Dividend**”), the conversion price shall be adjusted in the case of an issue of Shares other than by way of Scrip Dividend by multiplying the conversion price in force immediately before such issue by the fraction:-

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue; and

LETTER FROM THE BOARD

- (2) in the case of an issue of Shares by way of a Scrip Dividend the current market price of which Shares exceeds 105 per cent. of the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, by multiplying the conversion price in force immediately before the issue of such Shares by the fraction:-

$$\frac{A + B}{A + C}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount per Share of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is the current market price of the number of Shares issued in respect of each existing Share in lieu of the whole, or the relevant part of the Relevant Cash Dividend; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend;

or by making such other adjustment as an approved merchant bank shall certify to the Company is fair and reasonable.

LETTER FROM THE BOARD

- (iii) If and whenever the Company shall pay or make any Capital Distribution to the Shareholders (except where the conversion price falls to be adjusted under sub-paragraph (ii) above (or falls within sub-paragraph (ii) above but no adjustment falls to be made), the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to such Capital Distribution by the fraction:-

$$\frac{A - B}{A}$$

where:

A is the current market price of one Share on the dealing day last preceding the date on which the Capital Distribution is publicly announced; and

B is the fair market value on the date of such announcement, as determined in good faith by an approved merchant bank, of the portion of the Capital Distribution attributable to one Share.

- (iv) If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 95 per cent. of the current market price per Share on the last dealing day preceding the date of the announcement of the terms of the issue or grant, the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to such issue or grant by the fraction:-

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such announcement;

LETTER FROM THE BOARD

B is the number of Shares which the aggregate amount (if any) payable for the rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such current market price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the grant.

- (v) If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights of any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares), the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to such issue or grant by the fraction:-

$$\frac{A - B}{A}$$

where:

A is the current market price of one Share on the last dealing day preceding the date on which such issue or grant is publicly announced; and

B is the fair market value on the date of such announcement as determined in good faith by an approved merchant bank, of the portion of the rights attributable to one Share.

LETTER FROM THE BOARD

- (vi) If and whenever the Company shall issue (otherwise than as mentioned in sub-paragraph (iv) above) wholly for cash any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into , or exchange or subscription for, Shares) or on the issue or grant of (otherwise than as mentioned in sub-paragraph (iv) above) options, warrants or other rights to subscribe for or purchase Shares in each case at a price per Share which is less than 95 per cent. of the current market price on the dealing day last preceding the date of announcement of the terms of such issue, the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to such issue or grant by the fraction:-

$$\frac{A + B}{C}$$

where:

A is the number of Shares in issue immediately before the issue of such additional Shares or the issue or grant of such options, warrants or other rights to subscribe for or purchase any Shares;

B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such current market price per Share; and

C is the numbers of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue or grant by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

LETTER FROM THE BOARD

- (vii) Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this sub-paragraph (vii), if and whenever the Company or any Subsidiary (otherwise than as mentioned in sub-paragraphs (iv), (v) or (vi) above), or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary) any other person shall issue wholly for cash any securities (other than this Note) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares (or grant any such rights in respect of any existing securities so issued) to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the current market price per share on the last dealing day preceding the date of announcement of the terms of issue of such securities, the conversion price shall be adjusted, by multiplying the conversion price in force immediately prior to such issue (or grant) by the fraction:-

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such issue (or grant);

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or subscription for or exchange of or upon exercise of the right of subscription attached to such securities would purchase at such current market price per Share; and

C is the maximum number of Shares to be issued upon conversion into or subscription for exchange of such securities or upon the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue (or grant) of such securities.

LETTER FROM THE BOARD

- (viii) If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in sub-paragraph (vii) above (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription the modification) is less than 95 per cent. of the current market price per Share on the last dealing day preceding the date of announcement of the proposals for such modification, the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to such modification by the fraction:-

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such modification;

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or exchange or upon exercise of the right of subscription attached to the securities so modified would purchase at such current market price per Share or, if lower, the existing conversion, exchange or subscription price; and

C is the maximum number of Shares to be issued upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate.

LETTER FROM THE BOARD

- (ix) If and whenever the Company or any Subsidiary or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary) any other person issues, sells or distributes any securities in connection with an offer by or on behalf of the Company or any Subsidiary or such other person pursuant to which offer the Shareholders generally (meaning for these purposes the holders of at least 60 per cent. of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the conversion price falls to be adjusted under sub-paragraphs (iv) to (vii) above), the conversion price shall be adjusted by, multiplying the conversion price in force immediately prior to such issue by the fraction:-

$$\frac{A - B}{A}$$

where:-

A is the current market price of one Share on the last dealing day preceding the date on which such issue is publicly announced; and

B is the fair market value on the date of such announcement, as determined in good faith by an approved merchant bank, of the portion of the relevant offer attributable to one Share.

- (x) If the Company considers that it would be appropriate for an adjustment to be made to the conversion price as a result of one or more events or circumstances not referred to above, the Company shall request an approved merchant bank to determine what adjustment (if any) to the conversion price is fair and reasonable to take account thereof. Any adjustment under this provision is limited to downward adjustments. The Board considers that this is fair and reasonable and consistent with market norms and that subscribers generally would not agree to any upward adjustment, except on a consolidation, given that the matters that may give rise to adjustment are in the control of the Company.

LETTER FROM THE BOARD

If any adjustment event other than a sub-division occurs which leads the number of Conversion Shares issuable under the 2019CB to exceed 1,272,727,272, then the Subscriber shall be entitled to convert the 2019CB into up to 1,272,727,272 Conversion Shares based on the adjusted conversion price and any outstanding remaining principal amount of the 2019CB shall be redeemed by Eminence on the maturity date in accordance with its terms.

Ranking of the Conversion Shares: The Conversion Shares, if and when allotted and issued, shall rank *pari passu* in all respects with all other Shares in issue 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 or after the date of the relevant conversion notice.

Transferability: No assignment or transfer (whether in whole or in part) of the 2019CB except with consent of Eminence or to (i) the holding company or (ii) the subsidiaries or affiliated companies of the holder of the 2019CB or the fellow subsidiaries or fellow affiliated companies of the holder of the 2019CB.

Voting: The holder of the 2019CB will not be entitled to attend or vote at any meetings of Eminence by reason only of being the holder of the 2019CB.

Others: Conversion Rights shall not be exercisable if and to the extent that immediately after such exercise and the issue of the related Conversion Shares less than 25% of the issued Shares would be held by the public as required by Rule 8.08 of the Listing Rules.

Assuming that the conversion rights in relation to the total principal amount of the 2019CB being HK\$70,000,000 are exercised in full at the initial conversion price of HK\$0.055 per Conversion Share, a total of 1,272,727,272 Conversion Shares will be allotted and issued, representing approximately 40.98% of the issued share capital of Eminence at the Latest Practicable Date and approximately 29.07% of the issued share capital of Eminence as enlarged by the allotment and issue of such Conversion Shares and assuming that save for the issue of Conversion Shares, there will be no change to the issued share capital of Eminence from the Latest Practicable Date up to (and including) the date of issue of such Conversion Shares.

Application will be made by Eminence 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 2019CB on the Stock Exchange or any other stock exchange and no application will be made for the listing of the Conversion Shares on any other stock exchange.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

A total of 1,272,727,272 Conversion Shares will be allotted and issued upon full conversion of the 2019CB at the initial conversion price. The table below sets out the current shareholding structure of Eminence and the structure as it will be on the assumptions below assuming no other change in the number of Shares in issue and before any possible adjustment to conversion prices under the Existing CBs.

Shareholder	At the Latest Practicable Date		On full exercise of 2019CB assuming no exercise of conversion rights under Existing CBs		On full exercise of 2019CB and 2015CB assuming no exercise of conversion rights under 2017CB1 and 2017CB2		On full exercise of 2019CB, 2015CB and 2017CB1 assuming no exercise of conversion rights under 2017CB2		On full exercise of 2019CB assuming full exercise of conversion rights under Existing CBs	
	No. of Eminence Shares		No. of Eminence Shares		No. of Eminence Shares		No. of Eminence Shares		No. of Eminence Shares	
	%	%	% (as enlarged)	% (as enlarged)	% (as enlarged)	% (as enlarged)	% (as enlarged)	% (as enlarged)	% (as enlarged)	% (as enlarged)
Goodco and parties acting in concert with it (Note 3)										
Landmark Profits (Note 2)	93,549,498	3.01	93,549,498	2.14	93,549,498	1.65	93,549,498	1.62	93,549,498	1.57
Goodco (Note 1)										
- Shares	645,781,194	20.79	1,918,508,466	43.81	1,918,508,466	33.82	2,018,508,466	34.97	2,206,508,466	37.02
- Underlying Shares of 2017CB1	100,000,000*	-	100,000,000*	-	100,000,000*	-	-	-	-	-
- Underlying Shares of 2017CB2	188,000,000*	-	188,000,000*	-	188,000,000*	-	188,000,000*	-	-	-
- Underlying Shares of Lui Yuk Chu (Notes 4 & 5)	22,600,000*	-	22,600,000*	-	22,600,000*	-	22,600,000*	-	22,600,000*	-
Sub-total	739,330,692	23.80	2,012,057,964	45.95	2,012,057,964	35.47	2,112,057,964	36.59	2,300,057,964	38.59
Madian (holder of 2015CB)										
Shares	140,000,000	4.51	140,000,000	3.20	1,433,333,333	25.27	1,433,333,333	24.83	1,433,333,333	24.05
Underlying Shares at conversion price of HK\$0.06 per share	1,293,333,333*	-	1,293,333,333*	-	-	-	-	-	-	-
Underlying Shares of Kwong Jimmy Cheung Tim										
- Beneficial owner (Note 6)	11,300,000*	-	11,300,000*	-	11,300,000*	-	11,300,000*	-	11,300,000*	-
Underlying Shares of participants										
- Beneficial owner (Note 7)	33,900,000*	-	33,900,000*	-	33,900,000*	-	33,900,000*	-	33,900,000*	-
Public Shareholders	2,226,501,367	71.69	2,226,501,367	50.85	2,226,501,367	39.26	2,226,501,367	38.58	2,226,501,367	37.36
Total	3,105,832,059	100	4,378,559,331	100	5,671,892,664	100	5,771,892,664	100	5,959,892,664	100

* for illustration only. The figures have not been added into the total %.

LETTER FROM THE BOARD

Notes:

1. The entire issued share capital of Goodco is indirectly held by Easyknit.
2. The entire issued share capital of Landmark Profits is directly held by Easyknit.
3. Goodco and Landmark Profits are wholly-owned subsidiaries of Easyknit and are acting in concert for the purpose of the Takeovers Code.
4. Ms. Lui Yuk Chu is also a director of Goodco and is acting in concert with it for the purposes of the Takeovers Code.
5. These underlying Shares include interests through 11,300,000 share options each granted by Eminence under the Share Option Scheme on 14 October 2016 to Mr. Koon Wing Yee (the spouse of Ms. Lui Yuk Chu) and Ms. Lui Yuk Chu respectively. By virtue of the SFO, Ms. Lui Yuk Chu is deemed to be interested in the 11,300,000 underlying Shares held by Mr. Koon Wing Yee.
6. These underlying Shares are interests through share options granted by Eminence under the Share Option Scheme on 14 October 2016 to Mr. Kwong Jimmy Cheung Tim.
7. These underlying Shares are the balance of interests through share options granted by Eminence under the Share Option Scheme on 14 October 2016 to the eligible participants.
8. These underlying Shares are interests through the balance of the 2015CB as of the Latest Practicable Date.

INFORMATION ABOUT EMINENCE, THE SUBSCRIBER AND EASYKNIT

Eminence, through its Subsidiaries, is principally engaged in property investment, property development, securities investment and the loan financing business.

The Subscriber is a company incorporated in the British Virgin Islands with limited liability and is a substantial shareholder of Eminence holding 645,781,194 Shares, representing approximately 20.79% of the issued share capital of Eminence at the Latest Practicable Date. It is a wholly-owned subsidiary of Easyknit.

Easyknit is principally engaged in the property investment, property development, securities investment and loan financing businesses. Through Goodco and other subsidiaries Easyknit indirectly owns approximately 23.80% of the issued share capital of Eminence at the Latest Practicable Date.

REASONS AND BENEFITS FOR THE ISSUE OF 2019CB AND USE OF PROCEEDS

The Directors consider it prudent to raise capital for Eminence because the property investment, property development, securities investment and loan financing activities of the Eminence Group are capital intensive requiring careful forward planning to ensure that it has sufficient cash on commercially acceptable terms at the right time.

LETTER FROM THE BOARD

In particular its property investment and property development activities require large capital outlays and can tie up capital for some years, requiring the Eminence Group to plan well ahead for the funding of possible property investment and property development projects. The Directors consider it prudent to review and where desirable rearrange its funding and its debt in particular to prepare for future projects and possible market changes in the availability of credit. Specifically, the net proceeds of issue of the 2019CB are at present intended to be applied or towards acquisition of the remaining units of Wing Cheong Factory Building (at a cost which is estimated to be approximately HK\$55,000,000) and preliminary investigation, planning and design costs for the redevelopment of Wing Cheong Factory Building. The Eminence Group owns approximately 86.36% of Wing Cheong Factory Building, a building located at No. 121 King Lam Street, Kowloon, Hong Kong. The site area is approximately 5,483 sq. ft. On 12 September 2018, the Eminence Group filed an application under the Lands (Compulsory Sale for Redevelopment) Ordinance for auctioning all the units in Wing Cheong Factory Building. The Eminence Group plans to re-develop the site if it is successful at the auction. Any proceeds from the issue of the 2019CB not utilized for the Wing Cheong Factory Building project will be used in or towards financing the acquisition of properties on Davis Street, Kennedy Town announced by the Company on 10 July 2019, and their redevelopment, as well as future projects and for general working capital.

The issue of the 2019CB will not be conditional on the acquisition of the Wing Cheong Factory Building. The Group is active in the property sector and requires capital, often on short notice, for acquisitions, as well as for redevelopment of acquired properties and its other activities. If the acquisition of the Wing Cheong Factory Building does not go ahead, proceeds from the issue of the 2019CB will be used in or towards financing the acquisition of the properties on Davis Street, Kennedy Town, and their redevelopment, as well as future projects and for general working capital.

Shareholdings of the public Shareholders will not be diluted by the 2019CB unless and until Eminence issues Conversion Shares. At the same time Eminence will by issuing the 2019CB improve its cash position to position itself for future projects. If the Conversion Rights under the 2019CB are exercised in full that would result in a material dilution in the relative shareholdings of Shareholders, accompanied by an increase in the net assets per Share and a reduction in the liabilities of the Company. Its balance sheet will be strengthened accordingly.

The Company's cash balance as at 31 March 2019 was approximately HK\$141.6 million and after reserving amounts for outgoings expected in the forthcoming months (such as net outflow from operations and repayment of loan and interest of approximately HK\$10,000,000, commitment for fund investment of approximately HK\$38,200,000, construction cost for Matheson Street project of approximately HK\$7,800,000, investment in securities of approximately HK\$30,000,000 as well as general working capital of approximately HK\$40,000,000) it will not have sufficient cash to settle the amount required for acquisition of the remaining units in Wing Cheong Factory Building. With the Group's recent agreement for acquisition of properties on Davis Street, the cash balance of approximately HK\$141.6 million has already been, and will be, depleted by acquisition and development costs.

The redevelopment of Wing Cheong Factory Building after compulsory acquisition, will be financed by bank finance.

The Company considered applying for further loan from the bank already financing the project, but the bank indicated that it would offer additional loans only after acquisition of remaining units is completed and the site is available for redevelopment.

LETTER FROM THE BOARD

The Company was of the opinion that the issue of the 2019CB should offer more flexibility in the amount raised and timing of application, as well as lower cost of borrowing than obtaining further loans from banks.

Having considered other methods of financing, including a possible equity placing and bank borrowing as described above it was concluded that issue of the 2019CB is an attractive form of financing. Specifically, an equity placing would immediately dilute the interests of shareholders, whilst the 2019CB will not do so unless and until it is converted, and it will provide medium term fixed-cost funding (in contrast to shorter-term bank financing, which even if available is typically limited to 3 years and carries interest at floating rates, often based on annualised one month interest rates for inter-bank lending plus a margin of around 1.6%).

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

Ms. Lui Yuk Chu (an executive director and a substantial shareholder of Easyknit, who is also a substantial shareholder of Eminence, and an executive director of Eminence) abstained from voting on the Eminence Board resolution to approve the Subscription Agreement and the transactions contemplated thereunder. No other director of Eminence abstained from voting on the related Eminence Board resolution or is required to abstain from voting at the SGM.

FUND-RAISING ACTIVITIES OF EMINENCE IN THE PAST TWELVE MONTHS

Eminence has not conducted any fund-raising activities in the twelve months immediately before the date of this circular.

PUBLIC FLOAT

The 2019CB will impose restrictions on conversions to the extent they would lead to Eminence breaching the public float requirement under the Listing Rules.

TAKEOVERS CODE

The 2019CB will not impose restrictions on conversions that would lead to an offer being required under Rule 26 of the Takeovers Code.

At the Latest Practicable Date, Goodco, which will be the holder of the 2019CB, and persons acting in concert with it held in aggregate approximately 23.80% of the issued voting shares in Eminence.

Upon full conversion of the 2019CB at the initial conversion price, a total of 1,272,727,272 Conversion Shares would be issued, representing 29.07% of the issued share capital of Eminence as enlarged by that issue and assuming no other change in the number of issued Shares.

LETTER FROM THE BOARD

In the event that immediately before a conversion the holdings of the holder of the 2019CB together with persons acting in concert with it represent in aggregate 30% or more of the voting rights of Eminence then in issue and as a result of the conversion, a single one of such persons comes to hold 30% or more or, if already holding between 30% and 50%, has acquired more than 2% of the voting rights in Eminence in any 12 month period, it would be obliged to make a general offer to Shareholders in compliance with Rule 26 of the Takeovers Code.

In the event that immediately before a conversion the holdings of the holder of the 2019CB together with persons acting in concert with it represent in aggregate not less than 30%, but not more than 50%, of the voting rights of Eminence, and, as a result of the conversion, any one or more of them acquires additional voting rights and such acquisition has the effect of increasing their collective holding of voting rights of Eminence by more than 2% from the lowest collective percentage holding of such persons in the 12 month period ending on and inclusive of the date of the relevant acquisition it would be obliged to make a general offer to Shareholders in compliance with Rule 26 of the Takeovers Code.

The table below illustrates the existing shareholdings in Eminence and the effect on the shareholdings in Eminence of Goodco and parties acting in concert with it on various assumptions about exercise of conversion rights under the 2019CB and Existing CBs.

Shareholder	At the Latest Practicable Date		On full exercise of 2019CB assuming no exercise of conversion rights under Existing CBs		On full exercise of 2019CB and 2015CB assuming no exercise of conversion rights under 2017CB1 and 2017CB2		On full exercise of 2019CB, 2015CB and 2017CB1 assuming no exercise of conversion rights under 2017CB2		On full exercise of 2019CB assuming full exercise of conversion rights under Existing CBs	
	No. of Shares	%	No. of Shares	% (of enlarged)	No. of Shares	% (of enlarged)	No. of Shares	% (of enlarged)	No. of Shares	% (of enlarged)
Goodco and parties acting in concert with it (Note 1)										
Landmark Profits	93,549,498	3.01	93,549,498	2.14	93,549,498	1.65	93,549,498	1.62	93,549,498	1.57
Goodco	645,781,194	20.79	1,918,508,466	43.81	1,918,508,466	33.82	2,018,508,466	34.97	2,206,508,466	37.02
Total	739,330,692	23.80	2,012,057,964	45.95	2,012,057,964	35.47	2,112,057,964	36.59	2,300,057,964	38.59

Notes:

- Parties acting in concert with Goodco for the purposes of the Takeovers Code are Easyknit, Landmark Profits, Ms. Lui Yuk Chu and Mr. Koon Wing Yee, the spouse of Ms. Lui Yuk Chu.
- Ms. Lui Yuk Chu and Mr. Koon Wing Yee are the holders of share options granted by Eminence under the Share Option Scheme over an aggregate of 22,600,000 Shares which are not included in the above table.
- The 2015CB belongs to Madian Star Limited, a company incorporated in the British Virgin Islands with limited liability which is not acting in concert with Goodco for the purposes of the Takeovers Code.

At the Latest Practicable Date, there is no intention on the part of Easyknit or any person acting in concert with it to make an offer for Shares and there is no obligation for any of them do so. Easyknit is mindful of its obligations under the Takeovers Code and will comply with them if and when necessary, particularly when considering whether Goodco should exercise conversion rights under any or all of the 2017CB1, 2017CB2 and 2019CB.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

At the Latest Practicable Date, Easyknit, through Goodco and Landmark Profits, owns approximately 23.80% of the issued share capital of Eminence, and hence it is a connected person of Eminence. Accordingly, the Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction of Eminence under the Listing Rules and it is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Only Independent Shareholders will be permitted to vote and the Subscriber and its associates (which together controlled or were entitled to exercise control over voting rights of 23.80% of the Shares at the Latest Practicable Date will abstain from voting, at the SGM on the resolution approving the Subscription Agreement and the transactions contemplated thereunder.

Eminence has established the Independent Board Committee comprising three (3) independent non-executive Directors, being Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Wu Koon Yin Welly, to advise the Shareholders on the Subscription Agreement.

The Independent Financial Adviser was appointed by Eminence after obtaining the approval of the Independent Board Committee to advise the Independent Board Committee and Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder and as to voting.

POSSIBLE ADJUSTMENT TO CONVERSION PRICES OF THE EXISTING CBs

The Existing CBs are convertible at the conversion prices set out below and on full conversion are convertible into approximately the numbers of Shares set out below.

Existing CB	Current conversion price (subject to adjustment)	Outstanding amount	Convertible into number of Shares (approx.)
2015CB	HK\$0.06	HK\$77,600,000	1,293,333,333
2017CB1	HK\$0.16	HK\$16,000,000	100,000,000
2017CB2	HK\$0.06	HK\$11,280,000	188,000,000

The conversion prices under the Existing CBs will not require adjustment as a result of the execution of the Subscription Agreement or Completion.

SPECIFIC MANDATE

The Directors are seeking a specific mandate from the Independent Shareholders at the SGM for the allotment and issue of the Conversion Shares. The Conversion Shares will be allotted and issued under the Specific Mandate proposed to be granted to the Directors by a resolution of the Shareholders passed at the SGM by the Independent Shareholders only.

LETTER FROM THE BOARD

SGM

The SGM will be held for the purpose of considering and, if thought fit, passing a resolution to approve the proposed Subscription Agreement and Specific Mandate.

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 Wednesday, 21 August 2019 at 9 a.m. is set out on pages N-1 to N-2 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not Shareholders are able to attend and vote at the SGM, they are requested to read the notice and to complete and sign 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjournment thereof should they so wish and, in such event, the proxy form shall be deemed to be revoked.

The resolution will be voted on by way of poll.

DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Subscription Agreement is available for inspection at the principal office of the Company in Hong Kong during normal business hours until the date of 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 Friday, 16 August 2019 to Wednesday, 21 August 2019, both days inclusive. During such period, no Share transfers 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Thursday, 15 August 2019.

RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders on the Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in connection therewith. The letter from the Independent Board Committee to the Independent Shareholders is set out on page 26 of this circular, and the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on page 27 of this circular.

The Board (including the Independent Board Committee advised by the Independent Financial Adviser) is of the opinion that the Subscription Agreement and the granting of the Specific Mandate are fair and reasonable and in the best interests of the Company and its shareholders as a whole and the Board recommends the Shareholders to vote in favour of the resolution to be proposed at the SGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the notice of the SGM and the general information set out in the Appendix to this circular.

Yours faithfully,
By Order of the Board
Eminence Enterprise Limited
Kwong Jimmy Cheung Tim
Chairman & Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



EMINENCE ENTERPRISE LIMITED

高山企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

2 August 2019

To the Independent Shareholders,

Dear Sir/Madam,

CONNECTED TRANSACTION

PROPOSED ISSUE OF CONVERTIBLE NOTE UNDER SPECIFIC MANDATE

We refer to the circular of the Company dated 2 August 2019 (“**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 the 2019CB under Specific Mandate, the allotment and issue of the Conversion Shares), 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 the Independent Financial Advisor as set out on pages 27 to 46 of the Circular, which contains its advice and recommendations to the Independent Board Committee as to whether or not the Subscription Agreement (together with the transactions contemplated therein, including the issue of the 2019CB under Specific Mandate, the allotment and issue of the Conversion Shares) 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 advice and recommendations.

Having considered, among other matters, the factors and reasons considered by, and the opinion of, the Independent Financial Adviser 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 the 2019CB under Specific Mandate, the allotment and issue of the Conversion Shares) 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 resolutions to be proposed at the SGM to approve the Subscription Agreement (together with the transactions contemplated therein, including the issue of the 2019CB under Specific Mandate, the allotment and issue of the Conversion Shares).

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*

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 Independent Shareholders regarding the proposed issue and subscription of convertible redeemable note for the purpose of inclusion in this Circular.



紅日資本有限公司

RED SUN CAPITAL LIMITED

2 August 2019

To: The Independent Board Committee and Independent Shareholders

Dear Sir/Madam,

CONNECTED TRANSACTION – PROPOSED ISSUE OF CONVERTIBLE NOTE UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the entering into the Subscription Agreement by Eminence and the Subscriber, details of which are set out in the letter from the Directors (the “**Letter from the Board**”) enclosed in the circular dated 2 August 2019 issued by Eminence to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 17 June 2019, Eminence and the Subscriber entered into the Subscription Agreement, pursuant to which Eminence conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the 3.00% 2019CB in the principal amount of HK\$70,000,000.

Assuming that the conversion rights in relation to the total principal amount of the 2019CB being HK\$70,000,000 are exercised in full at the initial conversion price (“**Conversion Price**”) of HK\$0.055 per Conversion Share, a total of 1,272,727,272 Conversion Shares will be allotted and issued, representing approximately 40.98% of the issued share capital of Eminence as at the Latest Practicable Date and approximately 29.07% of the issued share capital of Eminence as enlarged by the allotment and issue of such Conversion Shares, assuming that other than the issue of Conversion Shares, there will be no change to the issued share capital of Eminence from the Latest Practicable Date up to and including the date of issue of such Conversion Shares.

As at the Latest Practicable Date, Easyknit, through Goodco and Landmark Profits, owns approximately 23.80% of the issued share capital of Eminence, and hence it is a connected person of Eminence. Accordingly, the Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction of Eminence under the Listing Rules and it is therefore subject to the reporting, announcement and Independent Shareholders’ approval requirements under the Listing Rules. In this regard, the Subscriber and its close associates are required to abstain from voting on the resolution to the proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising three (3) independent non-executive Directors, namely Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Wu Koon Yin Welly, has been established to advise the Independent Shareholders as to whether the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and to make a recommendation on voting.

Our appointment has been approved by the Independent Board Committee. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Subscription Agreements are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Eminence Group and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of Eminence. We have reviewed, inter alia, the statements, the information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that (i) all statements, information and representations provided by the Directors and the management of Eminence; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the SGM. We have also assumed that all statements of belief, opinion and expectation 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 Eminence, its advisers and/or the Directors. We believe that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the management of Eminence, nor have we conducted an independent investigation into the business and affairs of the Eminence Group.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Eminence Group. We have not considered the taxation implication on the Eminence Group or the Shareholders as a result of the issue of the 2019CB. 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 Eminence Group or any other parties that could reasonably be regarded as relevant to our independence. In the last two (2) years, we have acted as the independent financial adviser to independent board committees and independent shareholders of Eminence in relation to (i) a connected transaction relating to very substantial acquisition and very substantial disposal the circular for which (including our Letter from the Independent Eminence Financial Adviser) was published on 12 February 2019; and (ii) a connected transaction relating to proposed issue of convertible note under specific mandate the circular for which (including our Letter from Independent Financial Adviser) was published on 28 August 2017. Apart from the abovementioned independent financial adviser roles, we have not acted in any capacity for Eminence in the past two (2) years.

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 have received or will receive any fees or benefits from Eminence or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

A. Reasons for entering into the Subscription Agreement

(1) *To finance the acquisition of the remaining units of Wing Cheong Factory Building*

As at 31 March 2019, the Eminence Group had audited cash and cash equivalents of approximately HK\$141,582,000. The Eminence Group owns approximately 86.36% of Wing Cheong Factory Building, a building located at No. 121 King Lam Street, Kowloon, Hong Kong. The site area is approximately 5,483 sq. ft. On 12 September 2018, the Eminence Group filed an application under the Lands (Compulsory Sale for Redevelopment) Ordinance for auctioning all the units in Wing Cheong Factory Building. The Eminence Group plans to re-develop the site if it is successful at the auction. The Directors estimate that approximately HK\$65.17 million of the net proceeds will be used to finance for (i) the acquisition of the remaining units of Wing Cheong Factory Building; and (ii) related preliminary investigation, planning and design costs for its redevelopment, any proceeds from the issue of the 2019CB not utilized for the acquisition of Wing Cheong Factory Building project will be used in on towards financing the acquisition of properties on Davis Street, Kennedy Town, announced by the Company on 10 July 2019, and their development, as well as future projects and for general working capital.

(2) *Business and financial overview of the Eminence Group*

Table 1: Consolidated income statement of the Eminence Group

	For the year ended 31 March	
	2019 <i>HK\$'000</i> (audited)	2018 <i>HK\$'000</i> (audited)
Revenue	62,228	49,605
Cost of services rendered	(3,271)	(2,880)
Profit before taxation	50,910	54,608
Taxation	(400)	(1,069)
Profit for the year	50,510	53,539

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial year ended 31 March 2019 (“FY2019”) versus financial year ended 31 March 2018 (“FY2018”)

As extracted from the annual report of the Eminence Group for the year ended 31 March 2019 (“**Annual Report FY2019**”), the principal source of revenue of the Eminence Group was derived from (i) rental income; and (ii) interest income from loan financing which contributed to approximately 68.5% and 31.5% of the total revenue of the Eminence Group for FY2019, respectively.

As set out in the Table 1 above, the revenue of the Eminence Group increased by approximately HK\$12.6 million or approximately 25.4% from approximately HK\$49.6 million for FY2018 to approximately HK\$62.2 million for FY2019. Such increase was mainly attributable to the increase in the rental income by HK\$9.6 million from approximately HK\$33.0 million for FY2018 to approximately HK\$42.6 million for FY2019, which was mainly due to the contributions from the newly acquired properties, as well as continued management of tenant mix, rental reversion at major investment properties and properties held for development for sale.

The Eminence Group’s profit for the year decreased by approximately HK\$3.0 million from a net profit of approximately HK\$53.5 million for FY2018 to a net profit of approximately HK\$50.5 million for FY2019, which was mainly attributable to the combined effect of (i) the gain on changes in fair value of investment properties amounting to approximately HK\$46.0 million as compared to the gain on changes in fair value of investment properties amounting to approximately HK\$72.3 million for FY2018; (ii) the gain on disposal of a subsidiary of approximately HK\$43.2 million during FY2019; (iii) the loss on changes in fair value of financial assets at fair value through profit or loss from approximately HK\$2.2 million for FY2018 to approximately HK\$16.3 million for FY2019; and (iv) the increase in administrative expenses to approximately HK\$48.3 million for FY2019 compared to approximately HK\$35.5 million for FY2018.

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

	As at 31 March	
	2019	2018
	HK\$’000	HK\$’000
	(audited)	(audited)
Non-current assets	1,418,452	1,944,228
Current assets	2,616,093	2,067,689
Non-current liabilities	753,266	707,315
Current liabilities	547,109	589,314
Net current assets	2,068,984	1,478,375
Equity attributable to the owners	2,734,170	2,715,288
Bank balances and cash	141,582	125,422

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial position as at 31 March 2019 versus financial position as at 31 March 2018

As set out in Table 2 above, as at 31 March 2019, the Eminence Group recorded net current assets of approximately HK\$2,069.0 million (31 March 2018: approximately HK\$1,478.4 million). The Eminence Group's current assets increased from approximately HK\$2,067.7 million as at 31 March 2018 to approximately HK\$2,616.1 million as at 31 March 2019. Such increase was mainly attributable to the (i) the increase in properties held for development for sale by approximately HK\$95.3 million; (ii) the increase in loans receivable by approximately HK\$88.0 million; (iii) the increase in financial assets at fair value through profit or loss by approximately HK\$69.3 million; and (iv) the increase in assets classified as held for sale – investment properties by approximately HK\$304.0 million. The Eminence Group's current liabilities decreased from approximately HK\$589.3 million as at 31 March 2018 to approximately HK\$547.1 million as at 31 March 2019 and this was mainly attributable to the combined effect of (i) the increase in trade and other payables by approximately HK\$31.1 million; (ii) the decrease in convertible notes by approximately HK\$6.7 million; and (iii) the decrease in secured bank borrowings by approximately HK\$65.8 million.

(3) *Financing alternatives*

The Company's cash balance as at 31 March 2019 was approximately HK\$141.6 million. With the Eminence Group's recent agreement for acquisition of properties on Davis Street, Kennedy Town, the cash balance of approximately HK\$141.6 million has already been, and will be, depleted by acquisition and development costs. Besides, we have obtained the latest revised cash flow statement from the Company and we noted that the Company will not have sufficient cash to settle the amount required for acquisition of the remaining units in Wing Cheong Factory Building and related expenses after reserving amounts for outgoings expected in the forthcoming months (such as net outflow from operations and repayment of loan and interest of approximately HK\$10,000,000, commitment for fund investment of approximately HK\$38,200,000, construction cost for Matheson Street project of approximately HK\$7,800,000, investment in securities of approximately HK\$30,000,000 as well as general working capital of approximately HK\$40,000,000).

As advised by the Directors, for the purpose of this fund raising, the Company did not approach any placing agents and underwriters, when considering other equity financing alternatives such as equity placing because equity placing would immediately dilute the interests of shareholders, whilst the 2019CB will not do so unless and until it is converted, and it will provide medium term fixed-cost funding (in contrast to shorter-term bank financing, which even if available is typically limited to 3 years and carries interest at floating rates, often based on annualised one month interest rates for inter-bank lending, plus a margin of around 1.6%).

The Company has also considered other financing alternatives such as bank borrowings. The effective interest rate for secured bank borrowings of the Eminence Group for the financial year ended 31 March 2019 was approximately 3.12%. We have reviewed the current loan agreement with the bank for financing the existing units of Wing Cheong Factory Building, pursuant to the current loan agreement with the bank for financing the existing units of Wing Cheong Factory Building held by the Eminence Group ("**existing units**"), the Company is required to obtain the bank's consent for any further external financing on the existing units. Considering Wing Cheong Factory Building as a redevelopment project, it is difficult for the Company to split the loan financing into two different financial institutions. We have also reviewed the email exchange between the Company and the bank

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and understand from the email exchange that no further financing from the bank at acceptable terms could be obtained until the acquisition of the remaining units of Wing Cheong Factory Building has been completed. Besides, the interest rates of the loans financing offered by the other banks are higher than the coupon rate of 2019CB as advised by the management of the Eminence Group. Having considered that (i) no new loans financing could be obtained until the acquisition of the remaining units of Wing Cheong Factory Building has been completed and the site is available for redevelopment; (ii) the cost of bank financing varies or fluctuates and bank financing for the Company has traditionally been for a shorter loan tenure, in prudently managing its debt portfolio, the Company's issuance of the convertible bonds at fixed coupon (interest) and for a longer maturity tenure of 5 years, not only benefits the Company with lower fixed cost of financing but also allows the Company to access medium term financing, hence enhancing its financial planning and management; and (iii) other equity financing alternatives such as placing and rights issue are lack of market demand in the current climate and/or not likely to be in favourable terms and bank financing would be time consuming and inflexible, we concur with the view of the Directors that the issuance of the 2019CB as long financing with constant interest rate would be in the interest of the Company and its Shareholders as a whole. In addition, we note that unlike bank financing, the issuance of the 2019CB to the Subscriber does not require any pledging of real estates or any other assets.

As advised by the management of the Company, the Company has considered approaching other independent subscribers, but having considered that approaching other independent subscribers is usually subject to a lengthy due diligence process, in which a relatively longer timeframe might be required as compared to approaching Goodco, who is the Subscriber and noteholder of 2017CB and 2017CB2, as such the management of the Company is of the view that issuance of 2019CB to the Subscriber is a preferred option. Taken into account that (i) lengthy process would be required for approaching other independent subscribers; (ii) the Subscriber has agreed contractually to subscribe for the 2019CB; and (iii) the management of the Company confirmed that in the event the Company intends to raise funds, they would exercise due and careful consideration to choose the best financing method available to the Company including, among others, 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 the 2019CB to the Subscriber is in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the issue of the 2019CB will be HK\$70,000,000 and the net proceeds are estimated to be approximately HK\$69,500,000. The Directors estimate that approximately HK\$65.17 million of the net proceeds will be used to finance for (i) the acquisition of the remaining units of Wing Cheong Factory Building; and (ii) related preliminary investigation, planning and design costs for its redevelopment. Any proceeds from the issue of the 2019CB not utilized for the abovementioned usages, will be used in on towards financing the acquisition of properties on Davis Street, Kennedy Town, announced by the Company on 10 July 2019, and their development, as well as future projects and for general working capital. The estimated time of acquiring the remaining units of the Wing Cheong Factory Building and redeveloping the site area will be about 4 to 5 years.

(4) Our view

Based on the above and having considered in particular that the Subscriber agreed contractually to subscribe for the 2019CB while other equity financing alternatives such as placing and rights issue lack 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.

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B. Principal terms of the Subscription Agreement

(1) Key terms of the Subscription Agreement

Pursuant to the Subscription Agreement, Eminence has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe at face value, for the 2019CB in the principal amount of HK\$70,000,000. The initial Conversion Price is HK\$0.055 per Conversion Share with a 3.00% per annum coupon rate, and the 2019CB will mature on the fifth anniversary of the Issue Date. Completion of the Subscription Agreement is conditional upon the fulfillment of the following conditions amongst others:

- (a) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which Eminence and the Subscriber have no reasonable objection) listing of and permission to deal in the Conversion Shares;
- (b) the Independent Shareholders having passed an ordinary resolution at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder, including but not limited to, the issue of the 2019CB under Specific Mandate and the allotment and issue of the Conversion Shares;
- (c) if required, the Bermuda Monetary Authority having approved the issue of the Convertible Note and the Conversion Shares and the transferability of the Convertible Note and the Conversion Shares; and
- (d) there being no event existing or having occurred and no condition being in existence which would be (after the issue of the Convertible Note) an event of default under it and no event or act having occurred which, with the giving of notices, or the lapse or time, or both, would (after the issue of the Convertible Note), constitute such an event of default.

At the Latest Practicable Date, the Company has been informed that the consent of the Bermuda Monetary Authority is not required for the issuance of the Convertible Note and Conversion Shares and transferability of the same. Condition Precedent (c) is thus satisfied. No other Condition Precedent had been satisfied at the Latest Practicable Date. Condition Precedent (d) may be waived by the Subscriber. None of the other Conditions Precedent can be waived.

If any of the Conditions Precedent has not been fulfilled or where applicable, waived on or before the Long Stop Date, 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.

The issue of the 2019CB will not be conditional on the acquisition of the Wing Cheong Factory Building.

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(2) *Conversion Price and Exercise Price*

The initial Conversion Price is HK\$0.055 per Conversion Share. As advised by the Directors, the initial Conversion Price was determined by the parties to the Subscription Agreement after arm's length negotiations.

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

The initial Conversion Price of HK\$0.055 per Conversion Share represents:

- no discount to the closing price of HK\$0.055 per Share as quoted on the Stock Exchange on 17 June 2019, being the last trading day before the signing of the Subscription Agreement;
- no discount to the average of the closing prices of Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including 17 June 2019, being approximately HK\$0.055 per Share;
- a discount of approximately 5.17% to the average of the closing prices of Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including 17 June 2019, being approximately HK\$0.0580 per Share;
- a discount of approximately 23.29% to the average of the closing prices of Shares as quoted on the Stock Exchange for last six months up to and including 17 June 2019, being approximately HK\$0.0717 per Share; and
- a premium of approximately 10.00% to the closing price of HK\$0.050 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

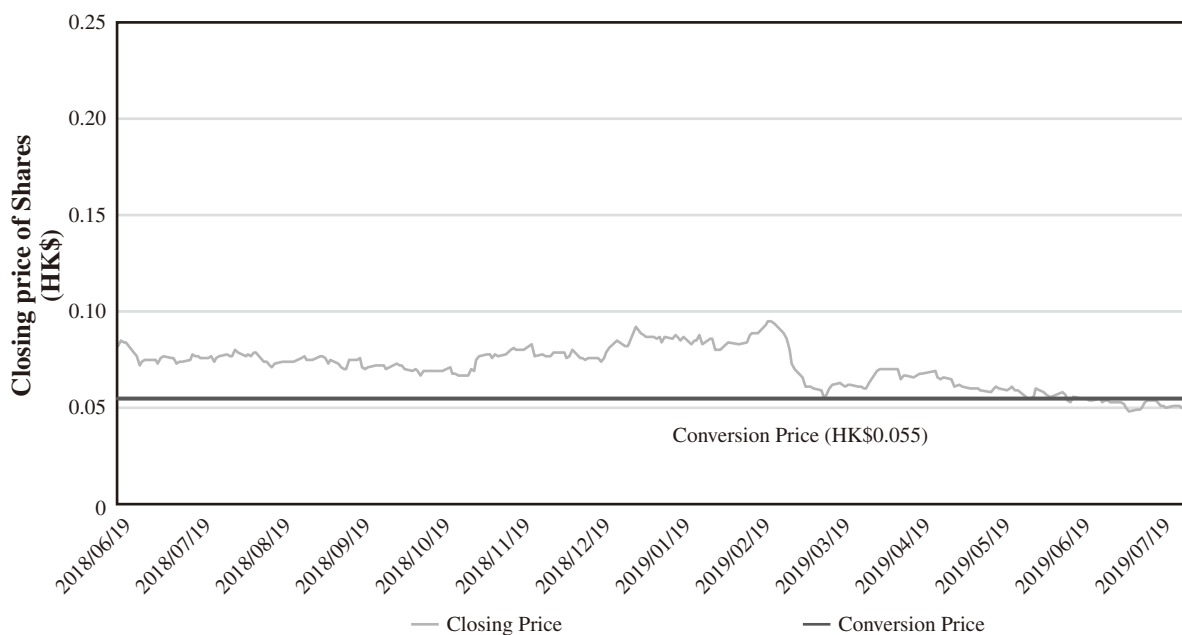
The initial Conversion Price was negotiated between the Company and Easyknit on an arm's length basis and negotiations took into account closing prices of the Shares in the days before execution of the Subscription Agreement as well as the conversion prices under the Company's Existing CBs, particularly the 2015CB.

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

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(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\$0.049 per Share to HK\$0.095 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 23.29% 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\$0.0717 per Share; and
- a discount of approximately 24.66% 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\$0.073 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.

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

We note that the initial Conversion Price of HK\$0.055 per Conversion Share represents a discount of approximately 93.75% to the consolidated net asset value per Share of the Eminence Group of approximately HK\$0.88 based on the consolidated net assets of approximately HK\$2,734.2 million as at 31 March 2019 as disclosed in the Annual Report FY2019 and the total number of 3,105,832,059 Shares in issue as at the Last Practicable Date. We note that the discount of approximately 93.75% to the consolidated net asset value of the Eminence Group represented by the initial Conversion Price is substantial.

We consider that the market price is a more relevant factor in determining the fairness and reasonableness of the Conversion Price. Discount to net asset value should be taken as a reference only. We consider that the current market price of the Shares directly reflects the value of the Shares that is generally perceived by the market having taken into account all business segments of the Eminence 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.

We have reviewed the trading volume data in respect of the Shares during a period from the start of June 2018 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 Shares	Number of trading days in the month	Average daily trading volume of the Shares	Average daily trading volume as a percentage of the total number of Shares in issue	Average daily trading volume as a percentage of the total number of Shares held by public
2018					
June	96,499,048	20	4,824,952	0.16%	0.22%
July	83,539,300	21	3,978,062	0.13%	0.18%
August	192,531,600	23	8,370,939	0.28%	0.38%
September	46,678,135	19	2,456,744	0.08%	0.11%
October	35,752,000	21	1,702,476	0.06%	0.08%
November	199,252,657	20	9,962,633	0.34%	0.45%
December	80,737,211	19	4,249,327	0.14%	0.19%
2019					
January	78,097,263	22	3,549,876	0.12%	0.16%
February	110,855,266	17	6,520,898	0.22%	0.29%
March	292,345,025	21	13,921,192	0.47%	0.63%
April	115,480,843	19	6,077,939	0.20%	0.27%
May	130,102,300	21	6,195,348	0.21%	0.28%
June	108,709,600	19	5,721,558	0.18%	0.24%
July (up to and including the Latest Practicable Date)	194,055,129	20	9,702,756	0.31%	0.41%

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We note that the average number of Shares traded per trading day in each month from June 2018 up to and including the Latest Practicable Date ranged from approximately 0.08% to approximately 0.63% of the 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 reasonably 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\$0.0580 per Share for the 30 consecutive trading days up to and including the last trading day and at approximately HK\$0.0717 per Share for the last six months up to and including the last trading day) represents a substantial discount (of approximately 93.41% and approximately 91.85% respectively) to the consolidated net asset value per Share of approximately HK\$0.88.

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

For comparison purposes, 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 issuances for acquisition and issuance of A share convertible bonds) 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 21 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, on last 5 consecutive trading day up to and including the last trading day as represented by the conversion price of such Comparable Issues with the corresponding price premium (discount) for the last trading day and price premium (discount) over last 5 trading days represented by the initial Conversion Price.

Issuers of the Comparable Issues (Stock code)	Announcement date of the Comparable Issues	Conversion price per share (HK\$)	Maturity date (Approximate number of years)	Price premium (discount) for the last trading day (%)	Price premium (discount) over the last 5 trading days (include the last trading day) (%)	Interest rate per annum (%)
China Finance Investment Holdings Limited (875.HK)	4-Mar-19	0.0830	1 year	5.06%	3.49%	5.00%
China Investments Holdings Limited (132.HK)	12-Mar-19	0.7600	5 years	83.13%	78.4%	2.00%
Petro-King Oilfield Services Limited (2178.HK)	21-Mar-19	0.2880	2 years	15.20%	17.17%	10.00%

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Issuers of the Comparable Issues (Stock code)	Announcement date of the Comparable Issues	Conversion price per share (HK\$)	Maturity date (Approximate number of years)	Price premium (discount) for the last trading day (%)	Price premium (discount) over the last 5 trading days (include the last trading day) (%)	Interest rate per annum (%)
China Education Group Holdings Limited (839.HK)	22-Mar-19	14.6900	5 years	30.00%	21.89%	2.00%
Victory City International Holdings Limited (539.HK)	26-Apr-19	0.1060	2 years	10.42%	9.50%	5.00%
International Entertainment Corporation (1009.HK)	30-Apr-19	1.0100	5 years	0.00%	3.06%	0.00%
China Environmental Technology Holdings Limited (646.HK)	2-May-19	0.0580	3 years	13.73%	5.07%	12.00%
Asiaray Media Group Limited (1993.HK)	7-May-19	3.5400	N/A <i>(Note 1)</i>	(6.35%)	(6.74%)	0.00%
HongDa Financial Holding Limited (1822.HK)	15-May-19	0.100	2 years	143.90%	138.10%	5.00%
Silver Grant International Industries Limited (171.HK)	20-May-19	2.3300	3 years	38.69%	38.86%	7.00%
China Logistics Property Holdings Co., Ltd (1589.HK)	22-May-19	3.1900	5 years	8.87%	8.21%	6.95%
Regent Pacific Group Limited (575.HK)	29-May-19	0.2125	3 years	(15.00%)	(15.27%)	4.00%
Yuhua Energy Holdings Limited (2728.HK)	29-May-19	0.1840	1 year	0.00%	58.08%	10.00%
Hong Kong Resources Holdings Company Limited (2882.HK)	29-May-19	0.1500	3 years	2.74%	1.35%	4.00%
National Arts Entertainment and Culture Group Limited (8228.HK)	30-May-19	0.4500	6 years	73.08%	71.76%	7.17% <i>(Note 2)</i>
Huscoke Holdings Limited (704.HK)	4-Jun-19	0.2600	3 years	13.54%	13.54%	5.00%
Kirin Group Holdings Limited (8109.HK)	4-Jun-19	0.6000	3 years	319.58%	370.96%	2.00%
IBO Technology Company Limited (2708.HK)	10-Jun-19	1.7300	3 years	0.58%	0.93%	7.50%
Ming Lam Holdings Limited (1106.HK)	14-Jun-19	0.1000	1 year	185.71%	180.90%	12.00%

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Issuers of the Comparable Issues (Stock code)	Announcement date of the Comparable Issues	Conversion price per share (HK\$)	Maturity date (Approximate number of years)	Price premium (discount) for the last trading day (%)	Price premium (discount) over the last 5 trading days (include the last trading day) (%)	Interest rate per annum (%)
Momentum Financial Holdings Limited (1152.HK)	14-Jun-19	0.1783	3 years	(2.57%)	(8.00%)	3.00%
Sunshine Oilsands Limited (2012.HK)	16-Jun-19	0.0740	2 years	(9.78%)	(10.00%)	8.00%
		Min	1 year	(15.00%)	(15.27%)	0.00%
		Max	6 years	319.58%	370.96%	12.00%
		Adjusted Max ^(Note 3)	6 years	83.13%	78.40%	12.00%
		Average	3.05 years	43.36%	46.73%	5.60%
		Adjusted average ^(Note 3)	3.24 years	14.52%	16.18%	5.48%
The Company		0.055	5 years	0.00%	0.00%	3.00%

Note 1: There was no maturity date for the issuance of convertible bond(s) for Asiaray Media Group Limited (1993.HK), as such this comparable will be excluded from the calculation of the average maturity dates.

Note 2: The period of the convertible bond(s) for National Arts Entertainment and Culture Group Limited (8228.HK) is 6 years with the relevant interest rates of 1.00%, 2.00%, 10.00%, 10.00%, 10.00% and 10.00%, respectively. For illustration purpose only, the interest rate was calculated in average over 6 years.

Note 3: HongDa Financial Holding Limited (1822.HK), Kirin Group Holdings Limited (8109.HK) and Ming Lam Holdings Limited (1106.HK) were considered as outliers and were excluded for calculation of the adjusted averages as their conversion prices representing exceptional high premium over their closing prices per share for the last trading day, which may produce an anomalous result to our analysis.

As illustrated in the table above, we note that the price premium (discount) for the last trading day represented by the conversion prices of the Comparable Issues ranges from a discount of approximately 15.00% to a premium of approximately 83.13% (excluding the outliers), with an adjusted average of a premium of 14.52%. The price premium (discount) for the last trading day represented by the Conversion Price therefore falls within the range of the price premium (discount) for the last trading day of the Comparable Issues.

We note that the price premium (discount) over the last 5 trading days represented by the conversion prices of the Comparable Issues ranges from a discount of approximately 15.27% to a premium of approximately 78.40% (excluding the outliers), with an adjusted average premium of 16.18%. The price premium (discount) over the last 5 trading days represented by the Conversion Price therefore falls within the range of the price premium (discount) over last 5 trading days of the Comparable Issues.

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We note that the maturity dates in respect of the Comparable Issues ranged from 1 year to 6 years (excluding the outliers), with an adjusted average of approximately 3.24 years. The maturity date of the 2019CB, being 5 years, therefore falls within the range of the maturity dates of the Comparable Issues.

We note that the interest rates in respect of the Comparable Issues ranged from nil to 12.00% per annum (excluding the outliers), with an adjusted average of approximately 5.48% per annum. The interest rate of the 2019CB, being 3.00% 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.

In the case of the Company, the Conversion Price represents a premium/discount of approximately (i) 0.0% to/over the closing price per Share as quoted on the Stock Exchange on the last trading day; and (ii) 0.0% to/over last 5 trading days as quoted on the Stock Exchange. Such premium/discounts of the Conversion Price are within the ranges of the Comparables, while falling on the lower end.

To assess the reasonableness of the Conversion Price being on the lower end of the Comparables, we have considered the Company's ongoing funding needs to develop and expand its business and its financial resources as well as capability to conduct fund raising exercises to meet such needs.

In terms of the Company's ongoing funding needs, we noted that (i) the Company estimates that approximately HK\$65.17 million of the net proceeds will be needed to finance for (a) the acquisition of the remaining units of Wing Cheong Factory Building; and (b) related preliminary investigation, planning and design costs for its redevelopment; (ii) the Company's cash balance as at 31 March 2019 was approximately HK\$141.6 million, whereas the Eminence Group's has entered into a recent agreement for acquisition of properties on Davis Street, Kennedy Town, of which the cash balance of approximately HK\$141.6 million has already been, and will be, depleted by acquisition and development costs, therefore the Company will not have sufficient cash to settle the amount required for acquisition of the remaining units in Wing Cheong Factory Building and related expenses after reserving amounts for outgoings expected in the forthcoming months (such as net outflow from operations and repayment of loan and interest of approximately HK\$10,000,000, commitment for fund investment of approximately HK\$38,200,000, construction cost for Matheson Street project of approximately HK\$7,800,000, investment in securities of approximately HK\$30,000,000 as well as general working capital of approximately HK\$40,000,000); (iii) no further financing from the bank at acceptable terms could be obtained until the acquisition of the remaining units of Wing Cheong Factory Building has been completed; (iv) other equity financing alternatives such as equity placing are not ideal because equity placing would immediately dilute the interests of shareholders, whilst the 2019CB will not do so unless and until it is converted; and (v) the Eminence Group owns approximately 86.36% of Wing Cheong Factory Building, and has filed an application under the Lands (Compulsory Sale for Redevelopment) Ordinance for auctioning all the units in Wing Cheong Factory Building and the Eminence Group requires the proceeds from the Subscription to satisfy the relevant acquisition cost. The Eminence Group plans to re-develop the site if it is successful at the auction.

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As a result, despite the Conversion Price is at the lower end of the range of the Comparables, considering the above and that the Subscriber can provide immediate funding to Company to meet its imminent and ongoing funding needs, we are of the view that the premium/discount of 0.0% of Conversion Price, being on the lower end of the range of the comparables, is acceptable and justifiable.

(v) *Our view*

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

- (a) the Eminence Group has a funding need to finance for (i) the acquisition of the remaining units of Wing Cheong Factory Building; and (ii) related preliminary investigation, planning and design costs for its redevelopment, which is expected to have a substantial cash outflow to the Eminence Group;
- (b) 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 averaged at approximately HK\$0.0580 per Share for the 30 consecutive trading days up to and including the last trading day and at approximately HK\$0.0717 per Share for the last six months up to and including the last trading day) represents a substantial discount (of approximately 93.41% and approximately 91.85% respectively) to the consolidated net asset value per Share of approximately HK\$0.88;
- (c) the price premium (discount) for the last trading day and price premium (discount) over the last 5 trading days represented by the Conversion Price, all fall within the respective ranges of Comparable Issues;
- (d) the maturity date of the 2019CB, being 5 years, falls within the range of the maturity dates of the Comparable Issues; and
- (e) the interest rate of the 2019CB, being 3.00% per annum, falls within the range of the interest rates of the Comparable Issues,

we are of the view that the Conversion Price, the maturity date and the interest rate of the 2019CB 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

A total of 1,272,727,272 Conversion Shares will be allotted and issued upon full conversion of the 2019CB at the initial Conversion Price. The table below sets out the current shareholding structure of Eminence and the structure as it will be on the assumptions below assuming no other change in the number of Shares in issue and before any possible adjustment to conversion prices under the Existing CBs.

Shareholder	At the Latest Practicable Date		On full exercise of 2019CB assuming no exercise of conversion rights under Existing CBs		On full exercise of 2019CB and 2015CB assuming no exercise of conversion rights under 2017CB1 and 2017CB2		On full exercise of 2019CB, 2015CB and 2017CB1 assuming no exercise of conversion rights under 2017CB2		On full exercise of 2019CB assuming full exercise of conversion rights under Existing CBs	
			%		%		%		%	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>(as enlarged)</i>	<i>No. of Shares</i>	<i>(as enlarged)</i>	<i>No. of Shares</i>	<i>(as enlarged)</i>	<i>No. of Shares</i>	<i>(as enlarged)</i>
Goodco and parties acting in concert with it (Note 3)										
Landmark Profits (Note 2)	93,549,498	3.01	93,549,498	2.14	93,549,498	1.65	93,549,498	1.62	93,549,498	1.57
Goodco (Note 1)										
– Shares	645,781,194	20.79	1,918,508,466	43.81	1,918,508,466	33.82	2,018,508,466	34.97	2,206,508,466	37.02
– underlying Shares of 2017CB1	100,000,000*	–	100,000,000*	–	100,000,000*	–	–	–	–	–
– underlying Shares of 2017CB2	188,000,000*	–	188,000,000*	–	188,000,000*	–	188,000,000*	–	–	–
– underlying Shares of Lui Yuk Chu (Notes 4 & 5)	<u>22,600,000*</u>	<u>–</u>	<u>22,600,000*</u>	<u>–</u>	<u>22,600,000*</u>	<u>–</u>	<u>22,600,000*</u>	<u>–</u>	<u>22,600,000*</u>	<u>–</u>
Sub-total	<u>739,330,692</u>	<u>23.80</u>	<u>2,012,057,964</u>	<u>45.95</u>	<u>2,012,057,964</u>	<u>35.47</u>	<u>2,112,057,964</u>	<u>36.59</u>	<u>2,300,057,964</u>	<u>38.59</u>
Madian (holder of 2015CB)										
– Shares	140,000,000	4.51	140,000,000	3.20	1,433,333,333	25.27	1,433,333,333	24.83	1,433,333,333	24.05
– underlying shares at conversion price of HK\$0.06 per share	1,293,333,333*	–	1,293,333,333*	–	–	–	–	–	–	–
Underlying Shares of Kwong Jimmy Cheung Tim										
– Beneficial Owner (Note 6)	11,300,000*	–	11,300,000*	–	11,300,000*	–	11,300,000*	–	11,300,000*	–
Underlying Shares of participants										
– Beneficial Owner (Note 7)	33,900,000*	–	33,900,000*	–	33,900,000*	–	33,900,000*	–	33,900,000*	–
Public Shareholders	<u>2,226,501,367</u>	<u>71.69</u>	<u>2,226,501,367</u>	<u>50.85</u>	<u>2,226,501,367</u>	<u>39.26</u>	<u>2,226,501,367</u>	<u>38.58</u>	<u>2,226,501,367</u>	<u>37.36</u>
Total	<u>3,105,832,059</u>	<u>100</u>	<u>4,378,559,331</u>	<u>100</u>	<u>5,671,892</u>	<u>100</u>	<u>5,771,892,664</u>	<u>100</u>	<u>5,959,892,664</u>	<u>100</u>

* for illustration only. The figures have not been added into the total %.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. The entire issued share capital of Goodco is indirectly held by Easyknit.
2. The entire issued share capital of Landmark Profits is directly held by Easyknit.
3. Goodco and Landmark Profits, are wholly-owned subsidiaries of Easyknit and are acting in concert for the purpose of the Takeovers Code.
4. Ms. Lui Yuk Chu is also a director of Goodco and is acting in concert with it for the purposes of the Takeovers Code.
5. These underlying shares include 11,300,000 share options each, granted by Eminence under the Share Option Scheme on 14 October 2016 to Mr. Koon Wing Yee (the spouse of Ms. Lui Yuk Chu) and Ms. Lui Yuk Chu respectively. By virtue of SFO, Ms. Lui Yuk Chu is deemed to be interested in the 11,300,000 underlying shares held by Mr. Koon Wing Yee.
6. These underlying shares are share options granted by Eminence under the Share Option Scheme on 14 October 2016 to Mr. Kwong Jimmy Cheung Tim.
7. These underlying shares are the balance of share options granted by Eminence under the Share Option Scheme on 14 October 2016 to the eligible participants.
8. These underlying shares are the balance of 2015CB as at the Latest Practicable Date.

As shown in the above table, the shareholding interests of the existing public Shareholders in the Company would be diluted from approximately 71.69% to 37.36% representing a dilution of approximately 34.33%, immediately after the full conversion of 2015CB, 2017CB1, 2017CB2 and 2019CB at their respective conversion prices.

Taking into account:

- (i) the Subscription will enhance the cash position, which will provide the Eminence Group with necessary financial resources to capture future business expansion and these opportunities may help to improve the Company's performance;
- (ii) the Eminence Group owns approximately 86.36% of Wing Cheong Factory Building, and has filed an application under the Lands (Compulsory Sale for Redevelopment) Ordinance for auctioning all the units in Wing Cheong Factory Building and the Eminence Group requires the proceeds from the Subscription to satisfy the relevant acquisition cost. The Eminence Group plans to re-develop the site if it is successful at the auction; and
- (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,

we are of the view that the benefits of the issuance of 2019CB outweigh the possible dilution impact arising thereof such that the issuance of the 2019CB is in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

D. Possible financial effects of the issue and subscription of 2019CB

(1) *Effect on the net asset value*

Given that the 2019CB, when recognised in the financial statements of the Eminence 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 2019CB on the net asset value of the Eminence Group until reliable estimations of the value of the 2019CB can be made as at the Issue Date.

On the other hand, it is expected that the net asset value of the Eminence Group will increase if there is a conversion of the 2019CB 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 2019CB have not yet been determined, the impact of the issue of the 2019CB on the gearing level of the Eminence Group could not be estimated at this stage.

(3) *Effect on liquidity*

The gross proceeds and net proceeds from the issue of the 2019CB are estimated to be approximately HK\$70,000,000 and HK\$69,500,000, respectively, which will improve the Eminence Group's cash position.

(4) *Effect on earnings*

As the 2019CB will carry an interest of 3.00% per annum and will mature on the fifth anniversary of the Issue Date, the Directors expect that the future earnings of the Eminence Group will be reduced by the amount of interest expense on the 2019CB, before its maturity converted into Conversion Shares.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Eminence 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 Eminence 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 resolution to be proposed at the SGM to approve the Subscription Agreement.

Yours faithfully

For and on behalf of

Red Sun Capital Limited

Robert Siu

Angel Ip

Managing Director

Director

Note: Mr. Robert Siu is a licensed person registered with the Securities and Future 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 21 years of experience in corporate finance industry.

Ms. Angel Ip is a licensed person registered with the Securities and Future 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 8 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 Eminence. 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 misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests in Shares

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in ordinary shares and underlying shares of the Company

Name of Director	Capacity	No. of Shares held	No. of underlying Shares held	% of the total issued Shares of the Company (approx.)	
				Total	
Lui Yuk Chu	Interest of controlled corporation (<i>Note 1</i>)	739,330,692	1,560,727,272	2,300,057,964	74.78%
	Interest of spouse (<i>Note 2</i>)	-	11,300,000		
	Beneficial owner (<i>Note 3</i>)	-	11,300,000		
				2,322,657,964	
Kwong Jimmy Cheung Tim	Beneficial owner (<i>Note 4</i>)	-	11,300,000	11,300,000	0.36%

Note:

- In the 739,330,692 Shares, 93,549,498 Shares and 645,781,194 Shares are registered in the name of and beneficially owned by Landmark Profits and Goodco respectively, both are the wholly-owned subsidiaries of Easykmit. Sea Rejoice Limited, which is wholly-owned by Ms. Lui Yuk Chu, a Director of the Company, is interested in approximately 19.09% of the issued share capital of Easykmit. As for the 1,560,727,272 underlying Shares, they comprise of (i) 100,000,000 conversion shares (subject to adjustment) to be issued upon the full conversion of the 2017CB1; (ii) 188,000,000 conversion shares (subject to adjustment) to be issued upon the full conversion of the 2017CB2; and (iii) 1,272,727,272 Conversion Shares (subject to adjustment) to be issued upon the full conversion of the 2019CB. All of these underlying share interests are held by Goodco.

2. These underlying Shares are interests through share options granted by the Company on 14 October 2016 to Mr. Koon Wing Yee, the spouse of Ms. Lui Yuk Chu, under the Share Option Scheme. By virtue of the SFO, Ms. Lui Yuk Chu is deemed to be interested in these 11,300,000 underlying shares held by Mr. Koon Wing Yee.
3. These underlying Shares are interests through share options granted by the Company on 14 October 2016 to Ms. Lui Yuk Chu under the Share Option Scheme.
4. These underlying Shares are interests through share options granted by the Company on 14 October 2016 to Mr. Kwong Jimmy Cheung Tim under the Share Option Scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders' Interests

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the interests and short positions of the persons or corporations other than a Director or chief executive of the Company, in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares and underlying shares of the Company

Name of substantial shareholder	Notes	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate percentage of the total issued shares of the Company
Koon Wing Yee	<i>i</i>	Interest of spouse	739,330,692	1,572,027,272	2,311,357,964	
	<i>ii</i>	Beneficial owner	–	11,300,000	<u>11,300,000</u>	
					2,322,657,964	74.78%
Goodco	<i>i</i>	Beneficial owner	645,781,194	1,560,727,272	2,206,508,466	71.04%
Easyknit	<i>i & iii</i>	Interest of controlled corporation	739,330,692	1,560,727,272	2,300,057,964	74.06%
Magical Profits Limited	<i>i & iii</i>	Interest of controlled corporation	739,330,692	1,560,727,272	2,300,057,964	74.06%
Accumulate More Profits Limited	<i>i & iii</i>	Interest of controlled corporation	739,330,692	1,560,727,272	2,300,057,964	74.06%

Name of substantial shareholder	Notes	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate percentage of the total issued shares of the Company
The Winterbotham Trust Company Limited	<i>i & iii</i>	Trustee	739,330,692	1,560,727,272	2,300,057,964	74.06%
Winterbotham Holdings Limited	<i>iii</i>	Interest of controlled corporation	739,330,692	1,560,727,272	2,300,057,964	74.06%
Markson International Holding Limited	<i>iii</i>	Interest of controlled corporation	739,330,692	1,560,727,272	2,300,057,964	74.06%
Christopher Geoffrey Douglas Hooper	<i>iii</i>	Interest of controlled corporation	739,330,692	1,560,727,272	2,300,057,964	74.06%
Ivan Geoffrey Douglas Hooper	<i>iii</i>	Interest of controlled corporation	739,330,692	1,560,727,272	2,300,057,964	74.06%
Sea Rejoice Limited	<i>i</i>	Interest of controlled corporation	739,330,692	1,056,727,272	2,300,057,964	74.06%
Madian Star Limited		Beneficial owner	140,000,000	1,293,333,333	1,433,333,333	46.15%
Hu Rong		Beneficial owner	642,990,000	–	642,990,000	20.70%

Note:

- i. In the 739,330,692 Shares, 93,549,498 Shares and 645,781,194 Shares are registered in the name of and beneficially owned by Landmark Profits and Goodco respectively, both are the wholly-owned subsidiaries of Easyknit. Sea Rejoice Limited, which is wholly-owned by Ms. Lui Yuk Chu, a Director of the Company, is interested in approximately 19.09% of the issued share capital of Easyknit. Magical Profits Limited is interested in approximately 31.95% of the issued share capital of Easyknit. Magical Profits Limited is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by The Winterbotham Trust Company Limited as the trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu's family members other than herself and her spouse). As for the 2,311,357,964 underlying shares, the 1,560,727,272 underlying Shares comprise of (i) 100,000,000 conversion shares (subject to adjustment) to be issued upon the full conversion of the 2017CB1; (ii) 188,000,000 conversion shares (subject to adjustment) to be issued upon the full conversion of the 2017CB2; (iii) 1,272,727,272 Conversion Shares (subject to adjustment) to be issued upon the full conversion of the 2019CB. All of these underlying share interests are held by Goodco. The remaining 11,300,000 underlying Shares are interests through share options granted to Ms. Lui Yuk Chu on 14 October 2016 under the Share Option Scheme. Ms. Lui Yuk Chu is the spouse of Mr. Koon Wing Yee. By virtue of the SFO, Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 739,330,692 Shares and the 2,311,357,964 underlying Shares of Ms. Lui Yu Chu.

- ii. These underlying Shares are interests through share options granted by the Company on 14 October 2016 to Mr. Koon Wing Yee under the Share Option Scheme.
- iii. The Winterbotham Trust Company Limited is trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu's family members other than herself and her spouse). The Winterbotham Trust Company Limited is owned as to 75% by Winterbotham Holdings Limited ("**Winterbotham Holdings**") and 25% by Markson International Holding Limited ("**Markson**") respectively. Winterbotham Holdings is owned as to approximately 99.99% by Mr. Christopher Geoffrey Douglas Hooper. Approximately 99.99% of Markson is owned by Mr. Ivan Geoffrey Douglas Hooper.

3. LITIGATION

As at the Latest Practicable Date, neither Eminence nor any of its Subsidiaries was engaged in any litigation or claims of material importance and, so far as the Directors are aware, there was no litigation or claim of material importance pending or threatened by or against Eminence or any of its Subsidiaries.

4. DIRECTORS' SERVICE CONTRACTS

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

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Name of director	Name of company	Nature of competing business	Nature of interest
Lui Yuk Chu	Easyknit	Property investment, property development, security investment and loan financing	Director of Easyknit and substantial shareholder of Easyknit

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

6. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

- A. As at the Latest Practicable Date, none of the Directors was interested in any contract or arrangement entered into by Eminence or any of its Subsidiaries subsisting at the Latest Practicable Date and which is significant in relation to the business of the Eminence Group.
- B. Save as disclosed in this circular, at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2019, the date to which the latest published audited consolidated financial statements of the Eminence Group were made up, acquired or disposed of by, or leased to Eminence or any of its Subsidiaries, or are proposed to be acquired or disposed of by, or leased to Eminence or any of its Subsidiaries.

7. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Eminence Group, were entered into by the Eminence Group within two (2) years last preceding the Latest Practicable Date which are or may be material:

- (a) the sale and purchase agreement dated 14 August 2017 entered into between Treasure Arts International Group Limited, an indirect wholly-owned Subsidiary of Eminence, and a seller relating to the acquisition of workshop A, 1/F of Fung Wah Factorial Building, which is situated at No. 646, 648 & 648A Castle Peak Road, Kowloon, Hong Kong, for a consideration of HK\$11,500,000. Such transaction was approved by the Shareholders on 23 October 2017;
- (b) the provisional sale and purchase agreement dated 15 August 2017 entered into between Treasure Arts International Group Limited as purchaser and a seller, relating to the acquisition of workshop D, ground floor of Fung Wah Factorial Building for a consideration of HK\$69,800,000. Such transaction was approved by the Shareholders on 23 October 2017;
- (c) the acquisition of ground floor with cockloft of No. 11 Matheson Street, Causeway Bay, Hong Kong by Chancemore Limited (a wholly-owned Subsidiary of Eminence) on 29 September 2017 at the auction by order of the court of the entire building of Nos. 11 and 13 Matheson Street, Causeway Bay, Hong Kong for a consideration of HK\$441,000,000;
- (d) the sale and purchase agreement dated 20 November 2017 entered into between Treasure Arts International Group Limited and certain sellers relating to the acquisition of workshop space A1, ground floor of Fung Wah Factorial Building for a consideration of HK\$53,000,000. Such transaction was approved by the Shareholders on 30 January 2018;
- (e) the placing agreement dated 30 November 2017 entered into between Eminence and Get Nice Securities Limited, as the placing agent, to place 447,000,000 Shares of Eminence at a placing price of HK\$0.055 per Share. The placing was completed on 21 February 2018;
- (f) the provisional sale and purchase agreement dated 11 January 2018 entered into between Lion Capital Investment Limited, a wholly-owned Subsidiary of Eminence, as purchaser and Brilliant Circle Holdings International Limited as vendor in respect of the acquisition of Empire Sail Limited of which the major assets were office units 01, 02, 03, 05, 06, 07, 08 and 09 on the 12th Floor and carparking spaces numbers 329, 330 and 331 on the 3rd Floor at Capital Centre, No. 151 Gloucester Road, Hong Kong and Best Legend International Holdings Limited by a consideration of HK\$295 million. Such was approved by the Shareholders on 11 April 2018;
- (g) a conditional sale and purchase agreement dated 19 November, 2018 between Kingbest Capital Holdings Limited (a wholly-owned Subsidiary of Eminence), as seller, and Gold Anchor Developments Limited (a wholly-owned subsidiary of Easyknit) in relation to an Eminence company that owns the property known as Nos. 14–20 Inverness Road, Hong Kong registered in the Land Registry as New Kowloon Inland Lot No. 6573 by a consideration of HK\$1,035,000,000;

- (h) a conditional sale and purchase agreement dated 19 November, 2018 between Easyknit Properties Holdings Limited (a wholly-owned Subsidiary of Easyknit) as Seller, and Sonic Hover Limited (a wholly-owned subsidiary of Eminence), as buyer, in relation to an Easyknit company (the “**Easyknit Sale Company**”) that owns the property known as Easy Tower, No. 609 Tai Nan West Street, Cheung Sha Wan, Kowloon registered in the Land Registry as New Kowloon Inland Lot No. 6238 by a consideration of HK\$470,000,000;
- (i) a property management agreement dated 8 March 2019 between UrbanMode (HK) Limited, a wholly-owned subsidiary of Easyknit, as manager, and the Easyknit Sale Company, as registered owner, for the management of Easy Tower by UrbanMode (HK) Limited;
- (j) a subscription agreement dated 26 March 2019 entered into by between a wholly-owned Subsidiary of Eminence and Templewater I, G.P in relation to the subscription of the limited partnership interests in a limited partnership with a capital commitment of US\$5 million;
- (k) a third deed of amendment (“**Third Deed**”) dated 26 March 2019 entered into between the Company and Madian Star Limited in relation to the alteration of the subscription price under the 2015CB;
- (l) a fourth deed of amendment dated 8 April 2019 entered into between the Company and Madian Star Limited in relation to the termination and replacement of the Third Deed, alteration of the subscription price under the 2015CB and imposition of restrictions on conversions that would lead to an offer being required under Rule 26 of the Takeovers Code and/or Eminence breaching the public float requirement under the Listing Rules;
- (m) a sale and purchase agreement dated 24 May 2019 entered into between Lion Capital Investment Limited (a wholly-owned Subsidiary of Eminence) as seller and Create Success Investments Limited as purchaser in relation to the sale and purchase of the shares of certain wholly-owned Subsidiaries of Eminence, which own office units 01, 02, 03, 05, 06, 07, 08 and 09 on the 12th Floor and carparking spaces numbers 329, 330 and 331 on the 3rd Floor of Capital Centre, No. 151 Gloucester Road, Hong Kong, and a related loan;
- (n) the Subscription Agreement; and
- (o) a sale and purchase agreement entered into between Above Ace Limited, a wholly-owned Subsidiary of the Company, as buyer and Ng Kwai Tung, as seller, in relation to the sale and purchase of Real Supreme Limited and Extra Glory Limited and their respective shareholders loans.

8. MATERIAL CHANGE

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

9. EXPERT AND CONSENT

The following are the qualifications of the expert named in this circular who has given opinions or advice 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 interest in any assets which have been, since 31 March 2019 (being the date to which the latest published audited accounts of Eminence were made up), acquired or disposed of by or leased to any member of the Eminence Group, or are proposed to be acquired or disposed of by or leased to any member of the Eminence Group; and
- (b) any shareholding in any member of the Eminence Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Eminence Group.

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

10. GENERAL

- A. The Company secretary of Eminence is Mr. Lee Po Wing, a practising solicitor since 1994.
- B. The registered office of Eminence is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of Eminence in Hong Kong is at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.
- C. The Hong Kong branch share registrar and transfer office of Eminence is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- D. The English texts of this circular and the enclosed proxy form prevail over the Chinese texts.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at Eminence's principal place of business in Hong Kong at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of Eminence;
- (b) the letters of consent referred to in the paragraph headed "Experts and Consents" in this Appendix;
- (c) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;
and
- (d) a copy of each circular issued by Eminence since 31 March, 2019 pursuant to the requirements of Chapter 14 and/or 14A of the Listing Rules, including this circular.

NOTICE OF SGM



EMINENCE ENTERPRISE LIMITED

高山企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Eminence Enterprise Limited (the “**Company**”) will be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 9 a.m. on Wednesday, 21 August 2019 for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed, with or without amendment, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

the subscription agreement (the “**Subscription Agreement**”), a copy of which has been produced to the meeting and signed by the Chairman for the purpose of identification, dated 17 June 2019 entered into between the Company and Goodco Development Limited (“**Goodco**”) in relation to issue of a 3% convertible note by the Company to Goodco in the aggregate principal amount of HK\$70,000,000 (the “**2019CB**”) be and is hereby approved and ratified; and the directors of the Company (the “**Directors**”) be and are hereby authorised to allot and issue 1,272,727,272 shares in the Company (subject to adjustment on a subdivision under the terms of the 2019CB) as may fall to be issued on exercise of conversion rights attached to the 2019CB, subject to the restriction on conversion under the terms of the 2019CB; and the Directors be and are hereby authorised for and on behalf of the Company and in its name to execute all such documents, instruments and agreements and do all such acts, matters and things as they may in their absolute discretion consider necessary, desirable or expedient for the purposes of or in connection with executing, implementing, completing and giving effect to the Subscription Agreement and the 2019CB.”

By Order of the Board
Eminence Enterprise Limited
Kwong Jimmy Cheung Tim
Chairman and Chief Executive Officer

Hong Kong, 2 August 2019

NOTICE OF SGM

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 is 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 notorially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding of the meeting.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of 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.
7. For the purpose of determining eligibility to attend and vote at the meeting, the register of members will be closed from Friday, 16 August 2019 to Wednesday, 21 August 2019, both days inclusive. During such period, no transfers of shares of the Company will be registered. In order for the holders to qualify to attend and vote at the meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Thursday, 15 August 2019.
8. At the date hereof, the Board comprises Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu as executive directors, and Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Wu Koon Yin Welly as independent non-executive directors.