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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 ALTERATION OF TERMS OF
THE GOODCO CONVERTIBLE NOTES
AND
PROPOSED GRANT OF SPECIFIC MANDATE
TO ISSUE CONVERSION SHARES
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 24 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 on Thursday, 19 November 2020 at 9:00 a.m. is set out on pages N-1 to N-2 of this circular. A form of proxy for use at the SGM is enclosed. 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 forty-eight (48) hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

Hong Kong, 30 October 2020

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Accompanying Document – Form of Proxy

DEFINITIONS

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

“2017 (May) Convertible Note”	the 3% coupon convertible note in the initial principal amount of HK\$16,000,000 issued by the Company to the Noteholder on 11 May 2017 (as from time to time amended) at a Conversion Price which is currently HK\$2.6279 per Share (subject to adjustment) due on 11 May 2022, of which the outstanding principal amount remains HK\$16,000,000
“2017 (September) Convertible Note”	the 3% coupon convertible note in the initial principal amount of HK\$28,200,000 issued by the Company to the Noteholder on 26 September 2017 (as from time to time amended) at a Conversion Price which is currently HK\$0.9855 per Share (subject to adjustment) due on 26 September 2020, of which the outstanding principal amount is HK\$11,280,000
“2019 Convertible Note”	the 3% coupon convertible note in the initial principal amount of HK\$70,000,000 issued by the Company to the Noteholder on 28 August 2019 (as from time to time amended) at a Conversion Price which is currently HK\$0.91 per Share (subject to adjustment) due on 28 August 2024, of which the outstanding principal amount remains HK\$70,000,000
“Ace Winner”	Ace Winner Investment Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Easyknit, and a Shareholder
“acting in concert”	the meaning ascribed to it under the Takeovers Code
“associates”	the meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors
“Company”	Eminence Enterprise Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 616)
“connected person(s)”	the meaning ascribed to it in the Listing Rules
“Conversion Price”	in respect of each Goodco Convertible Note, the price at which that Goodco Convertible Note may be converted into Conversion Shares

DEFINITIONS

“Conversion Share(s)”	the Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to each of the Goodco Convertible Notes
“Deeds of Amendment”	the three deeds of amendment each dated 18 September 2020 entered into between the Company and the Noteholder in relation to the Proposed Alteration
“Directors”	the directors of the Company
“Easyknit”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 1218), and a substantial shareholder of the Company
“Goodco” or “Noteholder”	Goodco Development Limited, the holder of the Goodco Convertible Notes, a company incorporated in the British Virgin Islands with limited liability, and an indirect wholly-owned subsidiary of Easyknit, being a substantial Shareholder
“Goodco Convertible Notes”	collectively, the 2017 (May) Convertible Note, the 2017 (September) Convertible Note and the 2019 Convertible Note
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all its independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the Proposed Alteration and the proposed grant of the Specific Mandate
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Alteration and the proposed grant of the Specific Mandate

DEFINITIONS

“Independent Shareholders”	the Shareholders, other than (i) the Noteholder and its associates (including but not limited to Easyknit, Ace Winner and Landmark Profits); (ii) the Directors (excluding the independent non-executive Directors) and their associates; (iii) the chief executive of the Company and his respective associates; and (iv) other Shareholders interested or involved in the Proposed Alteration and the proposed grant of the Specific Mandate
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of Easyknit and a Shareholder
“Latest Practicable Date”	Wednesday, 28 October 2020, 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
“Madian”	Madian Star Limited, a holder of the Shares and of the Madian Convertible Note, an investment holding company incorporated in the British Virgin Islands with limited liability
“Madian Convertible Note”	the 3% coupon convertible note in the principal amount of HK\$86,000,000 issued by the Company to Madian on 12 June 2015 (as from time to time amended) at a Conversion Price that is currently HK\$0.9855 due on 12 June 2022, of which the outstanding principal amount is HK\$40,400,000
“Proposed Alteration”	the proposed alterations of certain terms of the Goodco Convertible Notes as contemplated under the Deeds of Amendment
“Revised Conversion Price”	HK\$0.25, the revised Conversion Price (subject to adjustment) for all the Goodco Convertible Notes proposed under the Deeds of Amendment
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Proposed Alteration and the proposed grant of the Specific Mandate
“Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Specific Mandate”	a specific mandate proposed to be granted to the Directors at the SGM to allot and issue the Conversion Shares after the Proposed Alteration
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



EMINENCE ENTERPRISE LIMITED

高山企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

Executive Directors:

Mr. Lai Law Kau

(Chairman and Chief Executive Officer)

Ms. Lui Yuk Chu *(Deputy Chairman)*

Mr. Kwong Jimmy Cheung Tim

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent Non-executive Directors:

Mr. Kan Ka Hon

Mr. Lau Sin Ming

Mr. Wu Koon Yin Welly

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

Block A, 7th Floor

Hong Kong Spinners Building, Phase 6

481–483 Castle Peak Road

Cheung Sha Wan

Kowloon

Hong Kong

30 October 2020

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

PROPOSED ALTERATION OF TERMS OF THE GOODCO CONVERTIBLE NOTES AND PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE CONVERSION SHARES AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 21 September 2020 relating to the Proposed Alteration and the proposed grant of the Specific Mandate.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the Proposed Alteration and the proposed grant of the Specific Mandate; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholder; (iii) a letter of advice from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the SGM; and (v) other information required under the Listing Rules.

BACKGROUND

Reference is made to the announcements of the Company dated 1 March 2017, 11 May 2017, 7 August 2017, 26 September 2017, 17 June 2019, 29 August 2019 and 15 January 2020; and the circulars of the Company dated 5 April 2017, 28 August 2017 and 2 August 2019 in relation to, among other things, the Goodco Convertible Notes.

2017 (May) Convertible Note

On 1 March 2017, the Company and the Noteholder entered into a subscription agreement in respect of the issue of the 2017 (May) Convertible Note in the principal amount of HK\$16,000,000. The 2017 (May) Convertible Note was issued to the Noteholder on 11 May 2017. The initial Conversion Price of the 2017 (May) Convertible Note was HK\$0.16 per Conversion Share, subject to adjustment. The 2017 (May) Convertible Note carries interest at the rate of 3% per annum and falls due on 11 May 2022.

The Conversion Price of the 2017 (May) Convertible Note was adjusted from HK\$0.16 to HK\$2.6279 per Conversion Share (subject to adjustment) with effect from 12 February 2020. A total of 6,088,511 adjusted Conversion Shares would be issued on full conversion at that price.

2017 (September) Convertible Note

On 7 August 2017, the Company and the Noteholder entered into a subscription agreement in respect of the issue of the 2017 (September) Convertible Note in the principal amount of HK\$28,200,000. The 2017 (September) Convertible Note was issued to the Noteholder on 26 September 2017. The initial Conversion Price of the 2017 (September) Convertible Note was HK\$0.06 per Conversion Share (subject to adjustment). The 2017 (September) Convertible Note carries interest at the rate of 3% per annum and falls due on 26 September 2020.

On 18 October 2017, the Noteholder converted part of the 2017 (September) Convertible Note for HK\$16,920,000 into 282,000,000 Conversion Shares at the then Conversion Price of HK\$0.06 per Conversion Share.

The Conversion Price of the 2017 (September) Convertible Note was adjusted to HK\$0.9855 per Conversion Share (subject to amendment) with effect from 12 February 2020. A total of 11,445,966 Conversion Shares would be issued on full conversion at that price.

LETTER FROM THE BOARD

2019 Convertible Note

On 17 June 2019, the Company and the Noteholder entered into a subscription agreement in respect of the issue of the 2019 Convertible Note in the principal amount of HK\$70,000,000. The 2019 Convertible Note was issued to the Noteholder on 28 August 2019. The initial Conversion Price of the 2019 Convertible Note was HK\$0.055 per Conversion Share (subject to adjustment). The 2019 Convertible Note carries interest at the rate of 3% per annum and will fall due on 28 August 2024.

The Conversion Price of the 2019 Convertible Note was adjusted from HK\$0.055 to HK\$0.91 per Conversion Share (subject to adjustment) with effect from 12 February 2020. A total of 76,923,076 adjusted Conversion Shares would be issued on full conversion at that price.

On 21 September 2020, the Company announced that it had entered into the Deeds of Amendment with the Noteholder on 18 September 2020 in relation to the Proposed Alteration.

For reasons explained in “Reasons for the Proposed Alteration” below, the Company and the Noteholder agreed to alter the terms of the Goodco Convertible Notes subject to the terms and conditions of the Deeds of Amendment.

DEEDS OF AMENDMENT AND PROPOSED ALTERATION

(1) Dates and Parties

The dates of and the parties to all three (3) of the Deeds of Amendment are the same.

Date: 18 September 2020 (after trading hours)

Parties: (i) Issuer: the Company
(ii) Subscriber: the Noteholder

As at the Latest Practicable Date, except under the Goodco Convertible Notes, the Noteholder does not have any other interest in unissued Shares. The Noteholder is an indirect wholly-owned subsidiary of Easyknit and the owner of approximately 17.33% of the issued Shares.

(2) Principal terms of the Proposed Alteration

The Proposed Alteration was arrived at after arm’s length negotiations between the Company and the Noteholder, subject to the fulfillment of all the conditions precedent. The principal terms of the Proposed Alteration are summarised as follows:

- (i) the Conversion Price of all the Goodco Convertible Notes will be revised to HK\$0.25 per Conversion Share (subject to adjustment);
- (ii) the maturity date of all the Goodco Convertible Notes will be extended to 28 August 2024 upon the Deeds of Amendment becoming unconditional; and

LETTER FROM THE BOARD

- (iii) the interest payable on each Goodco Convertible Note will be increased from 3% to 4% per annum.

Apart from the Proposed Alteration, no other terms and conditions of the Goodco Convertible Notes will be changed under the Deeds of Amendment.

(3) Revised numbers of Conversion Shares

The Conversion Shares will rank pari passu in all respect with the Shares in issue as at the date of the allotment and issue of the Conversion Shares.

As a result of the Proposed Alteration, a total of 389,120,000 Conversion Shares would be allotted and issued upon full conversion of the Goodco Convertible Notes at the revised Conversion Price of HK\$0.25 broken down as follows:

- upon full conversion of the 2017 (May) Convertible Note, a total of 64,000,000 Conversion Shares will be issued, representing approximately 6.43% of the enlarged issued share capital of the Company upon its conversion;
- upon full conversion of the 2017 (September) Convertible Note, a total of 45,120,000 Conversion Shares will be issued, representing approximately 4.62% of the enlarged issued share capital of the Company upon its conversion; and
- upon full conversion of the 2019 Convertible Note, a total of 280,000,000 Conversion Shares will be issued, representing approximately 23.11% of the enlarged issued share capital of the Company upon its conversion.

Upon full conversion of all the Goodco Convertible Notes, the 389,120,000 Conversion Shares will represent approximately 29.47% of the enlarged issued share capital of the Company, enlarged by these Conversion Shares.

Further details of the effects of conversion are set out below.

(4) Revised Conversion Price

The initial Conversion Price and the Revised Conversion Price were arrived at after arm's length negotiation between the Company and the Noteholder. The initial Conversion Price was determined with reference to the prevailing market price of the Shares in respect of each of the Goodco Convertible Notes; while the Revised Conversion Price was determined with reference to the average closing price of approximately HK\$0.252 per Share for the last five (5) consecutive trading days up to and including the date of the Deeds of Amendment.

The Revised Conversion Price of HK\$0.25 per Conversion Share was arrived at after arm's length negotiation between the Company and the Noteholder and represents:

- (i) a discount of approximately 24.24% to the closing price of the Shares of HK\$0.33 per Share as quoted on the Stock Exchange at the Latest Practicable Date;

LETTER FROM THE BOARD

- (ii) a discount of approximately 5.66% to the closing price of the Shares of HK\$0.265 per Share as quoted on the Stock Exchange on 18 September 2020, being the date of the Deeds of Amendment;
- (iii) a discount of approximately 0.79% to the average closing price of approximately HK\$0.252 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the date of the Deeds of Amendment;
- (iv) a discount of approximately 3.47% to the average closing price of approximately HK\$0.259 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the date of the Deeds of Amendment; and
- (v) a discount of approximately 92.1% to the audited net asset value attributable to owners of the Company per Share as at 31 March 2020 of approximately HK\$3.16 per Share.

The Conversion Price for each of the Goodco Convertible Notes shall be adjusted under the following circumstances (extracted from the circulars of the Company dated 5 April 2017, 28 August 2017 and 2 August 2019 respectively; terms defined in this circular are not necessarily used in these extracts, and the Shareholders should read the relevant circulars for more information and for relevant definitions):

2017 (May) Convertible Note

- (i) an alteration of the number of the Shares by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account, contributed surplus account or capital redemption reserve fund);
- (iii) a capital distribution (as defined in the 2017CB instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of the Shares in their capacity as such;
- (iv) an offer or grant being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares at a price which is less than 80 per cent. of the market price;
- (v) an issue wholly for cash or for reduction of liabilities being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share (as defined in the Convertible Notes instrument) initially receivable (or in the case of reduction in liabilities, the amount of liabilities to be reduced) for such securities is less than 80 per cent. of the market price, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than 80 per cent. of the market price;

LETTER FROM THE BOARD

- (vi) an issue being made by the Company wholly for cash or for reduction of liabilities of Shares at a price per Share less than 80 per cent. of the market price;
- (vii) an issue being made by the Company of Shares for the acquisition of asset at a total effective consideration per Share (as defined in the 2017CB instrument) less than 80 per cent. of the market price; and
- (viii) an issue wholly made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares for the acquisition of asset, if in any case the total effective consideration per Share (as defined in the 2017CB instrument) initially receivable for such securities is less than 80 per cent. of the market price.

If there is any adjustment event occurred which leads to the number of Conversion Shares issuable under the 2017CB exceeds the specific mandate threshold, then the Subscriber shall be entitled to convert the 2017CB into such number of Conversion Shares subject to the specific mandate threshold based on the adjusted conversion price and any outstanding remaining principal amount of the 2017CB shall be redeemed by the Company on the maturity date in accordance with the terms herein.

2017 (September) Convertible Note

- (i) an alteration of the number of the Shares by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account, contributed surplus account or capital redemption reserve fund);
- (iii) a capital distribution (as defined in the CN instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of the Shares in their capacity as such;
- (iv) an offer or grant being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares at a price which is less than 80 per cent. of the market price;
- (v) an issue wholly for cash or for reduction of liabilities being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share (as defined in the CN instrument) initially receivable (or in the case of reduction in liabilities, the amount of liabilities to be reduced) for such securities is less than 80 per cent. of the market price, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than 80 per cent. of the market price;
- (vi) an issue being made by the Company wholly for cash or for reduction of liabilities of Shares at a price per Share less than 80 per cent. of the market price;

LETTER FROM THE BOARD

- (vii) an issue being made by the Company of Shares for the acquisition of asset at a total effective consideration per Share (as defined in the CN instrument) less than 80 per cent. of the market price; and
- (viii) an issue wholly made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares for the acquisition of asset, if in any case the total effective consideration per Share (as defined in the CN instrument) initially receivable for such securities is less than 80 per cent. of the market price.

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

2019 Convertible Note

- (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:—

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

LETTER FROM THE BOARD

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

- (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.

- (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:–

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

LETTER FROM THE BOARD

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;

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:—

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

LETTER FROM THE BOARD

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.

- (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.

(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:–

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

LETTER FROM THE BOARD

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.

- (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

(5) Conditions precedent

Each Deed of Amendment is conditional upon the fulfillment of the following conditions precedent:

- (a) the passing by the Shareholders at the SGM, of the necessary resolution(s) to approve that Deed of Amendment and the Proposed Specific Mandate;
- (b) all necessary consents and approvals required to be obtained on the part of the Company and the Noteholder in respect of the relevant Proposed Alteration and the transactions contemplated thereunder having been obtained; and
- (c) without prejudice to the generality of condition (b) above, the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares to be allotted and issued under that Goodco Convertible Note after the relevant Proposed Alteration, and the Proposed Alteration.

If any of the above conditions are not fulfilled on or before 31 December 2020 or such later date as the Company and the Noteholder may agree, the Deeds of Amendment will lapse and the parties shall be released from all obligations thereunder, save for any liabilities for any antecedent breaches thereof.

As at the Latest Practicable Date, no consent in relation to condition (b) above is required to be obtained in respect of the relevant Proposed Alteration; and none of the above conditions has been waived or satisfied.

(6) Effective Date

The Deeds of Amendment will become effective on satisfaction of the conditions above, or such other date as may be agreed by the Company and the Noteholder in writing.

INFORMATION ON THE NOTEHOLDER

The Noteholder is a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of Easyknit, a substantial Shareholder and the holder of the Goodco Convertible Notes. The principal business of the Noteholder is investment holding.

REASONS FOR THE PROPOSED ALTERATION

The Company is an investment holding company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 616). The Group is principally engaged in the property investment, property development, securities investment and loan financing business.

LETTER FROM THE BOARD

As the average closing price of the Shares for the six months ended on 21 September 2020 of approximately HK\$0.405 per Share is substantially lower than the current Conversion Prices (being HK\$2.6279, HK\$0.9855 and HK\$0.91 per Conversion Share) of the Goodco Convertible Notes, there is no reason for the Noteholder to exercise its conversion rights. The Revised Conversion Price will provide an incentive to the Noteholder to exercise the conversion rights attaching to the Goodco Convertible Notes, which would strengthen the capital base and financial position of the Company.

Further, the 2017 (September) Convertible Note was due for payment on 26 September 2020 when the Company would have been required to pay the outstanding principal amount of HK\$11,280,000 and accrued interest of approximately HK\$166,000 for the period from 1 April 2020 to 26 September 2020. Given the ongoing projects of the Company and the difficult market conditions arising from the COVID-19 pandemic and related restrictions, the Directors consider it preferable for the Company to retain that cash. The Directors also consider that the increased interest rate of 4% on the 2017 (September) Convertible Note and the other Goodco Convertible Notes is less than the interest rate at which the Company would be able to borrow from banks and other independent third parties on an unsecured basis. Accordingly, the Company approached the Noteholder and proposed the Deeds of Amendment which if approved will extend the term of all Goodco Convertible Notes in return for a reduction in the conversion price under each Goodco Convertible Note and an increase in the interest rate. Goodco has agreed not to require payment of the 2017 (September) Convertible Note unless the Deeds of Amendment do not become unconditional. Although not all the Goodco Convertible Notes will be due and payable in the near future, the Board considered that the extension of all of them is fair and reasonable and in the best interests of the Company and the Shareholders as a whole as that will allow the Company to enjoy the benefits of them for longer than originally contemplated.

All of the investment properties and properties under development of the Group (excluding certain properties in the People's Republic of China which property certificate has not yet obtained) have already been pledged to financial institutions to secure financing facilities, and no property is available as collateral for obtaining further lower cost secured bank borrowings. The Group has considered interest rates for unsecured long-term loans from financial institutions and has ongoing discussions with its principal banks and other prospective banks about secured and unsecured loan financing possibilities. The indicative reference interest rates that would have been obtained for loans with properties as security are of levels over 3%; such rates would be much higher at over 4% when no security is given and with tenor of more than one year. Given (i) the difficult current market conditions and business sentiments as a result of a hard-hit impact by COVID-19 as well as the global political and trade tensions, causing the banks to have become very risk averse and unwilling in extending further loans in view of the hikes in possible bad debts; and (ii) the financial position of the Group (with lowering cash balance and increasing gearing ratio), it would be very difficult if not impossible for the Group to acquire unsecured financing in place of the Goodco Convertible Notes at reasonably acceptable interest rates. The Company is of the opinion that increasing the interest rate from 3% to 4% in exchange for an extended maturity of all the Goodco Convertible Notes will preserve cash resources to cater for the requirements of the Group in the short-term and near future.

LETTER FROM THE BOARD

In light of the above, during the negotiation between the Company and the Noteholder, in addition to the extension of the maturity date of the Goodco Convertible Notes (except for the 2019 Convertible Note) and the revision of conversion prices, the Group has also discussed with the Noteholder the possibility leaving the interest rate unchanged. The Noteholder noted that the extension of the maturity date of the Goodco Convertible Notes (except for the 2019 Convertible Note) was proposed by the Company, rather than the Noteholder. It agreed to extend the maturity date of the Goodco Convertible Notes to 28 August 2024 (except for the 2019 Convertible Note) to align with the maturity date of the 2019 Convertible Note and revise the conversion prices closer to the prevailing market price only if the interest rate is increased. Given that (i) the extension of the maturity date of the Goodco Convertible Notes (other than the 2019 Convertible Note) will ease the liquidity pressure on the Group and allow the Group to retain cash in the current difficult market conditions; (ii) the Revised Conversion Price is acceptable as referred to the paragraph headed “Revised Conversion Price”; and (iii) the increased interest rate of 4% on the 2017 (September) Convertible Note and the other Goodco Convertible Notes is less than the interest rate at which the Company would be able to borrow from banks and other independent third parties on an unsecured basis. The Company agreed to increase the interest to 4% per annum.

As at 31 August 2020, the Group had a total cash balance of approximately HK\$167.9 million, of which approximately HK\$164.4 million was net proceeds from the rights issue of the Company as disclosed in the Company’s circular dated 17 December 2019 and the Company’s prospectus dated 16 January 2020. Details of the use of net proceeds from the rights issue of the Company are referred to on page 21 of this circular. Some of the net proceeds from the rights issue of the Company are not expected to be utilised for short-term purposes because these proceeds have been earmarked for specific development projects of the Company. Also, in view of the difficult current market conditions, it is the Company’s intention to maintain a certain level of cash resources to meet its short-term needs when required. The remaining cash balance of approximately HK\$3.5 million will be used for general working capital of the Company.

The Board has considered whether the issue of equity to repay the Goodco Convertible Notes is feasible. Given the very large discount of recent trading prices to the net asset value of the Shares any such issue would if investors could be found have to be at a price that would result in an immediate dilution of the Shareholders’ interests. The Proposed Alterations may or may not lead to a dilution – it is only a possibility.

APPLICATION FOR LISTING

No application will be made by the Company for the listing of, or permission to deal in, the Goodco Convertible Notes on the Stock Exchange. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued under the Goodco Convertible Notes as a result of the Proposed Alteration.

MANDATE FOR THE ISSUE OF THE GOODCO CONVERTIBLE NOTES

Eminence will seek the Specific Mandate from the Independent Shareholders at the SGM for the allotment and issue of the increased number of the Conversion Shares issuable upon conversion of the Goodco Convertible Notes pursuant to the terms and conditions of the Goodco Convertible Notes as amended by the Proposed Alteration.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming no other changes in the issued share capital of the Company as at the Latest Practicable Date up to the full conversion of the Convertible Notes, the shareholding structure of the Company (a) as at the Latest Practicable Date; (b) assuming full conversion of the Goodco Convertible Notes before the Proposed Alteration; (c) assuming full conversion of the Goodco Convertible Notes at the Revised Conversion Price and no conversion of the Madian Convertible Note; and (d) assuming full conversion of the Goodco Convertible Notes at the Revised Conversion Price and full conversion of the Madian Convertible Note are illustrated as follows:

	(a) as at the Latest Practicable Date		(b) assuming full conversion of the Goodco Convertible Notes before the Proposed Alteration		(c) assuming full conversion of the Goodco Convertible Notes at the Revised Conversion Price and no conversion of the Madian Convertible Note		(c) assuming full conversion of the Goodco Convertible Notes at the Revised Conversion Price and full conversion of the Madian Convertible Note	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Goodco and parties in concert								
Ace Winner	90,855,000	9.75	90,855,000	8.86	90,855,000	6.88	90,855,000	6.67
Landmark Profits	23,387,370	2.51	23,387,370	2.28	23,387,370	1.77	23,387,370	1.72
Goodco								
– Shares	161,445,295	17.33	161,445,295	15.74	161,445,295	12.23	161,445,295	11.86
– underlying Shares:								
• 2017 (May) Convertible Note	6,088,511*	–	6,088,511	0.59	64,000,000	4.85	64,000,000	4.70
• 2017 (September) Convertible Note	11,445,966*	–	11,445,966	1.12	45,120,000	3.42	45,120,000	3.31
• 2019 Convertible Note	76,923,076*	–	76,923,076	7.50	280,000,000	21.20	280,000,000	20.56
Sub-total	275,687,665	29.60	370,145,218	36.08	664,807,665	50.35	664,807,665	48.83
Public								
Madian								
– Shares	6,250,000	0.67	6,250,000	0.61	6,250,000	0.47	6,250,000	0.46
– underlying Shares:								
• Madian Convertible Note	40,994,419*	–	40,994,419*	–	40,994,419*	–	40,994,419	3.01
HU Rong	47,030,000	5.05	47,030,000	4.58	47,030,000	3.56	47,030,000	3.45
Other public Shareholders	602,490,345	64.68	602,490,345	58.73	602,490,345	45.62	602,490,345	44.25
Total	931,458,010	100.00	1,025,915,563	100.00	1,320,578,010	100.00	1,361,572,429	100.00

* For illustration purposes only. The underlying Shares have not been added into the total amount or percentage.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES OF THE COMPANY FOR THE PAST TWELVE (12) MONTHS

The following table sets out the fund raising activities of the Company during the past twelve (12) months immediately before the Latest Practicable Date:

Date	Fund raising activity	Project/ Property	Purpose	Proposed use	Actual use of	Remaining balance	Expected timeline of utilization
				of net proceeds	as of 31 August 2020		
				<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	
				<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>	
6 November 2019 (announcement), 17 December 2019 (circular) and 16 January 2020 (prospectus)	Rights issue for 745,166,408 rights shares on the basis of four (4) rights shares for every one (1) Share at the subscription price of HK\$0.483 per rights share (the "Rights Issue")	Matheson Street Project	Construction cost for redevelopment	79.0	(9.6)	69.4	September 2021
		Huzhou Properties	Construction cost for properties	25.0	(6.1)	18.9	July 2022
		Wing Cheong Factory Building	Preliminary cost (including planning, design and demolition cost)	22.1	(6.2)	15.9	June 2021
		Wing Cheong Factory Building	Additional acquisition cost for remaining units	12.0	(12.0)	-	-
		Kennedy Town Properties	Construction cost for redevelopment	15.8	(10.9)	4.9	December 2020
		Fung Wah Factorial Building	Acquisition cost for remaining units	62.0	(6.7)	55.3	September 2021
		Potential acquisitions of new properties and other investments		80.0	(80.0)	-	-
		Bank loan repayment		4.9	(4.9)	-	-
Net proceeds from the Rights Issue after deducting approximately HK\$53.1 million as general working capital				300.8	(136.4)	164.4	

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Easyknit, through Ace Winner, Landmark Profits and the Noteholder, holds a total of 275,687,665 Shares, representing approximately 29.60% of the total issued share capital of the Company and is a substantial Shareholder, and a connected person of the Company. The Proposed Alteration and the proposed grant of the Specific Mandate constitute a connected transaction for the Company under Chapter 14A of the Listing Rules, and are therefore subject to the reporting, announcement and the Independent Shareholders' approval requirements pursuant to the Listing Rules.

LETTER FROM THE BOARD

Easyknit, Ace Winner, Landmark Profits and the Noteholder, together with their respective associates, will abstain from voting in respect of the resolution(s) approving the Deeds of Amendment and the proposed grant of the Specific Mandate at the SGM.

Ms. Lui Yuk Chu (being an executive Director and an executive director of Easyknit) and Mr. Lai Law Kau (being an executive Director and a brother-in-law of Ms. Lui Yuk Chu) abstained from voting on the relevant Board resolutions in view of their interests in the Proposed Alteration and the proposed grant of the Specific Mandate. Save as disclosed above, no Director has a material interest in the Proposed Alteration or the proposed grant of the Specific Mandate and was required to abstain from voting on the Board resolutions in the Board meeting of the Company approving them.

The Company has established the Independent Board Committee comprising all its independent non-executive Directors, namely Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Wu Koon Yin Welly, to advise the Independent Shareholders on the Proposed Alteration and the proposed grant of the Specific Mandate, after taking into account the advice of the Independent Financial Adviser.

After obtaining the approval of the Independent Board Committee, the Independent Financial Adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Alteration and the proposed grant of the Specific Mandate.

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. As such, an application for the approval of the Proposed Alteration will be submitted to the Stock Exchange by the Company in due course.

TAKEOVERS CODE IMPLICATIONS

Upon full conversion of the Goodco Convertible Notes at the Revised Conversion Price, a total of 389,120,000 Conversion Shares would be issued, representing approximately 29.47% of the issued share capital of the Company enlarged by that issue. In the event that immediately before a conversion the holdings of the holder of the Goodco Convertible Notes together with persons acting in concert with them represent in aggregate less than 30% of the voting rights of the Company then in issue and as a result of such conversion, those persons or a single one of such persons comes to hold 30% or more, it would be obliged to make a general offer to the Shareholders in compliance with Rule 26 of the Takeovers Code.

LETTER FROM THE BOARD

In the event that immediately before a conversion the holdings of the holder of the Goodco Convertible Notes 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 the Company, 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 the Company 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 the Shareholders in compliance with Rule 26 of the Takeovers Code. The table above illustrates the existing shareholdings in the Company and the effect on the shareholding structure of the Company of Goodco and parties acting in concert with it on various assumptions about exercise of conversion rights under the Goodco Convertible Notes and the Madian Convertible Note.

As at the Latest Practicable Date, there is no intention on the part of Easyknit or any persons acting in concert with it to make an offer for the 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 Goodco Convertible Notes.

SGM

The SGM will be convened for the purpose of considering and, if thought fit, approving the Proposed Alteration and the proposed grant of the Specific Mandate.

Save as disclosed above, to the best of the Directors' information, belief and knowledge, no parties have material interests in the Proposed Alteration.

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 Thursday, 19 November 2020 at 9:00 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.

All resolutions put to the SGM will be voted on by way of poll.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' eligibility to attend and vote at the SGM, the register of members of the Company will be closed from Monday, 16 November 2020 to Thursday, 19 November 2020, both dates inclusive. During such period, no Share transfers will be registered. In order to qualify to attend and vote at the SGM, all transfers of the 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 Friday, 13 November 2020.

RECOMMENDATION

The Board (including the Independent Board Committee, who has considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Advisor) is of the opinion that the Proposed Alteration and the proposed grant of the Specific Mandate are fair and reasonable and in the best interests of the Company and the Shareholders as a whole and the Board recommends the Shareholders to vote in favour of the resolution(s) to approve the Proposed Alteration and the Specific Mandate to be proposed at the SGM.

MATERIAL CHANGE

The Directors confirm that, as at the Latest Practicable Date, subject to COVID-19 and other unpredictable circumstances, there has been no material adverse change in the financial or trading position or outlook of the Group since 31 March 2020, the date to which the latest published audited financial statements of the Company were made up, up to and including the Latest Practicable Date.

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



EMINENCE ENTERPRISE LIMITED

高山企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

30 October 2020

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION PROPOSED ALTERATION AND SPECIFIC MANDATE

We refer to the circular of the Company dated 30 October 2020 (the “**Circular**”) and have been appointed as members of the Independent Board Committee to advise you in respect of the Proposed Alteration and the Specific Mandate (together with the transactions contemplated therein, including 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. Capitalized 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 26 to 44 of the Circular, which contains its advice and recommendations to the Independent Board Committee as to whether or not the Proposed Alteration and the Specific Mandate (together with the transactions contemplated therein, including 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 Proposed Alteration and the Specific Mandate (together with the transactions contemplated therein, including 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 resolution(s) to be proposed at the SGM to approve the Proposed Alteration and the Specific Mandate (together with the transactions contemplated therein, including 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 the 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

Room 3303, 33/F
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

30 October 2020

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

Dear Sir/Madam,

**CONNECTED TRANSACTION
IN RELATION TO
PROPOSED ALTERATION OF TERMS OF
THE GOODCO CONVERTIBLE NOTES
AND
PROPOSED GRANT OF SPECIFIC MANDATE
TO ISSUE CONVERSION SHARES**

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 of the Deeds of Amendment in respect of the Proposed Alteration, details of which are set out in the letter from the Directors (the “**Letter from the Board**”) enclosed in the circular dated 30 October 2020 issued by the Company 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 18 September 2020, the Company and the Noteholder entered into the Deeds of Amendment, pursuant to which both parties agreed that the Conversion Price of the Goodco Convertible Notes will be revised to HK\$0.25 per Conversion Share (subject to adjustment) and the maturity date of the Goodco Convertible Notes will be extended to 28 August 2024 upon the Deeds of Amendment becoming unconditional. Save for the above Proposed Alteration, all other terms and conditions of the Goodco Convertible Notes shall remain unchanged.

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Easyknit, through Ace Winner, Landmark Profits and the Noteholder, held a total of 275,687,665 Shares, representing approximately 29.60% of the total issued share capital of the Company and is a substantial shareholder and a connected person of the Company. Accordingly, the Proposed Alteration and the proposed grant of the Specific Mandate constitute a connected transaction for the Company under Chapter 14A of the Listing Rules, and are therefore subject to the reporting, announcement and the Independent Shareholders' approval requirements pursuant to the Listing Rules. In this regard, Easyknit, Ace Winner, Landmark Profits and the Noteholder, together with their respective associates, will abstain from voting in respect of the resolution(s) approving the Deeds of Amendment and the proposed grant of the Specific Mandate at the SGM. Ms. Lui Yuk Chu (being an executive Director and an executive director of Easyknit) and Mr. Lai Law Kau (being an executive Director and a brother-in-law of Ms. Lui Yuk Chu) abstained from voting on the relevant Board resolutions in view of their interests in the Proposed Alteration and the proposed grant of the Specific Mandate. Save as disclosed above, no Director has a material interest in the Proposed Alteration or the proposed grant of the Specific Mandate and was required to abstain from voting on the Board resolutions in the Board meeting of the Company approving them.

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 on the Proposed Alteration and the proposed grant of the Specific Mandate 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 Proposed Alteration and the proposed grant of the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Proposed Alteration and the proposed grant of the Specific Mandate 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 the Company. 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 the Company; (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 (iii) 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 the Company, its advisers and/or the Directors. We believe that we have

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 the Company, nor have we conducted an independent investigation into the business and affairs of the 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.

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 Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, our sole responsibility 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 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 the Company in relation to (i) a proposed rights issue on the basis of four (4) rights shares for every one (1) consolidated share, the circular of which was published on 17 December 2019 and relevant adjustments to the terms of the convertible notes as a result of the rights issue; (ii) a connected transaction relating to the proposed issue of convertible note under specific mandate, the circular for which was published on 2 August 2019; and (iii) a connected transaction relating to very substantial acquisition and very substantial disposal, the circular for which was published on 12 February 2019. Apart from the abovementioned independent financial adviser roles, we have not acted in any capacity for any member of the Group 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 the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

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

A. Background of and reasons for the Proposed Alteration

(1) Information of the Group

With reference to the Letter from the Board, the Group is principally engaged in the property investment, property development, securities investment and loan financing business.

Set out below are the consolidated financial information of the Group for the two years ended 31 March 2020 as extracted from the Company's annual report for the year ended 31 March 2020 (the "2020 Annual Report"):

	For the year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue	80,682	62,228
Cost of services rendered	(4,227)	(3,271)
(Loss)/Profit before taxation	(209,657)	50,910
Taxation	3,465	(400)
Profit for the year attributable to owners of the Company	(206,192)	50,510

Financial year ended 31 March 2020 ("FY2020") versus financial year ended 31 March 2019 ("FY2019")

As extracted from the 2020 Annual Report, the principal source of revenue of the Group was derived from (i) rental income; (ii) interest income from loan financing; and (iii) management fee income which contributed to approximately 59.1%, 24.2% and 16.6% of the total revenue of the Group for FY2020, respectively.

As set out in the above table, the revenue of the Group increased by approximately HK\$18.5 million or 29.7% from approximately HK\$62.2 million for FY2019 to approximately HK\$80.7 million for FY2020. Such increase was mainly attributable to the increase in the rental income by HK\$15.8 million from approximately HK\$31.9 million for FY2019 to approximately HK\$47.7 million for FY2020, which was mainly due to the contributions from the newly acquired properties.

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The Group's profit for the year decreased by approximately HK\$256.7 million from a net profit of approximately HK\$50.5 million for FY2019 to a net loss of approximately HK\$206.2 million for FY2020. Such decrease was mainly attributable to (i) the write-down on properties held for development for sales of approximately HK\$134.3 million; (ii) the loss on changes in fair value of investment properties of approximately HK\$66.6 million as compared to the gain on that of approximately HK\$46.0 million in FY2019; and (iii) the net loss on modification of terms of convertible note of approximately HK\$37.5 million.

	As at 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Non-current assets	1,400,202	1,418,452
Current assets	3,202,791	2,616,093
Non-current liabilities	1,122,480	753,266
Current liabilities	538,644	547,109
Net current assets	2,664,147	2,068,984
Equity attributable to the owners	2,941,869	2,734,170
Bank balances and cash	357,767	141,582

Financial position as at 31 March 2020 versus financial position as at 31 March 2019

The net current assets of the Group increased by approximately HK\$595.1 million from approximately HK\$2,069.0 million as at 31 March 2019 to approximately HK\$2,664.1 million as at 31 March 2020. The Group's current assets increased by approximately HK\$586.7 million or 22.4% from approximately HK\$2,616.1 million as at 31 March 2019 to approximately HK\$3,202.8 million as at 31 March 2020. Such increase was mainly attributable to the combined effects of (i) the increase in properties held for development for sale by approximately HK\$710.9 million; (ii) the increase in bank balances and cash by approximately HK\$216.2 million; (iii) the decrease in assets classified as held for sale – investment properties of approximately HK\$304.0 million; and (iv) the decrease in financial assets at fair value through profit or loss by approximately HK\$46.2 million. The Group's current liabilities decreased by approximately HK\$8.5 million or 1.6% from approximately HK\$547.1 million as at 31 March 2019 to approximately HK\$538.6 million as at 31 March 2020. Such decrease was mainly attributable to the combined effects of (i) the decrease in trade and other payables by approximately HK\$16.6 million; (ii) the decrease in convertible notes by approximately HK\$17.6 million; and (iii) the increase in secured bank borrowings by approximately HK\$24.6 million.

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(2) Information on the Noteholder

The Noteholder is a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of Easyknit, a substantial Shareholder and the holder of the Goodco Convertible Notes. The principal business of the Noteholder is investment holding.

(3) Reasons for and benefits of the Proposed Alteration

With reference to the Letter from the Board, as the average closing price of the Shares for the six months ended on 21 September 2020 of approximately HK\$0.405 per Share is substantially lower than the current Conversion Prices (being HK\$2.6279, HK\$0.9855 and HK\$0.91 per Conversion Share) of the Goodco Convertible Notes, there is no reason for the Noteholder to exercise its conversion rights. The Revised Conversion Price will provide an incentive to the Noteholder to exercise the conversion rights attaching to the Goodco Convertible Notes, which would strengthen the capital base and financial position of the Company.

Further, the 2017 (September) Convertible Note was due for payment on 26 September 2020 when the Company would have been required to pay the outstanding principal amount of HK\$11,280,000 and accrued interest of approximately HK\$166,000 for the period from 1 April 2020 to 26 September 2020. Given the ongoing projects of the Company and the difficult market conditions arising from the COVID-19 pandemic and related restrictions, the Directors consider it preferable for the Company to retain that cash. The Directors also consider that the increased interest rate of 4% on the 2017 (September) Convertible Note and the other Goodco Convertible Notes is less than the interest rate at which the Company would be able to borrow from banks and other independent third parties on an unsecured basis. Accordingly, the Company approached the Noteholder and proposed the Deeds of Amendment which if approved will extend the term of all Goodco Convertible Notes in return for a reduction in the conversion price under each Goodco Convertible Note and an increase in the interest rate. Goodco has agreed not to require payment of the 2017 (September) Convertible Note unless the Deeds of Amendment do not become unconditional. Although not all the Goodco Convertible Notes will be due and payable in the near future, the Board considered that the extension of all of them is fair and reasonable and in the best interests of the Company and the Shareholders as a whole as that will allow the Company to enjoy the benefits of them for longer than originally contemplated.

With reference to the Letter from the Board, the Proposed Alteration was proposed to provide more flexibility to the Company's working capital management given the ongoing projects of the Company and the difficult market conditions arising from the COVID-19 pandemic and related restrictions. In the event that the Proposed Alteration is not approved by the Independent Shareholders in the SGM, the Company is in a position to redeem the 2017 (September) Convertible Note and shall repay the debts thereunder with the working capital of the Company upon the original maturity date and/or issue the Conversion Shares upon exercise of the Conversion Rights by the Noteholder.

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According to the 2020 Annual Report, the Group had total bank and cash balances of approximately HK\$357.8 million as at 31 March 2020 (approximately HK\$141.6 million as at 31 March 2019). Such increase was mainly attributable to the net proceeds from the rights issue of approximately HK\$353.9 million during the year ended 31 March 2020. We also noted that the Group recorded (i) a net cash used in operating activities of approximately HK\$377.6 million for the year ended 31 March 2020; and (ii) secured bank borrowings of approximately HK\$1,431.7 million in which approximately HK\$379.2 million will fall due within one year. As stated in the Letter from the Board, as at 31 August 2020, the Group had a total cash balance of approximately HK\$167.9 million, of which approximately HK\$164.4 million was net proceeds from the rights issue of the Company as disclosed in the Company's circular dated 17 December 2019 and the Company's prospectus dated 16 January 2020. Details of the use of net proceeds from the rights issue of the Company are referred to on page 21 of this Circular. Some of the net proceeds from the rights issue of the Company are not expected to be utilised for short-term purposes because these proceeds have been earmarked for specific development projects of the Company. Also, in view of the difficult current market conditions, it is the Company's intention to maintain a certain level of cash resources to meet its short-term needs when required. The remaining cash balance of approximately HK\$3.5 million will be used for general working capital of the Company. Accordingly, we consider that the Proposed Alteration will enable the Company to postpone substantial cash outflow, ease the liquidity pressure of the Group and allow the Group to retain more financial resources for its business operations and/or development given the current difficult market conditions.

We were further advised by the Directors that during the negotiation between the Company and the Noteholder, in addition to the extension of maturity date of the Goodco Convertible Notes (except for the 2019 Convertible Note) and the revision of conversion prices, the Group has also discussed with the Noteholder the possibility leaving the interest rate unchanged. The Noteholder noted that the extension of the maturity date of the Goodco Convertible Notes (except for the 2019 Convertible Note) was proposed by the Company, rather than the Noteholder. It agreed to extend the maturity date of the Goodco Convertible Notes to 28 August 2024 (except for the 2019 Convertible Note) to align with the maturity date of the 2019 Convertible Note and revise the conversion prices closer to the prevailing market price only if the interest rate is increased. Given that (i) the extension of the maturity date of the Goodco Convertible Notes (other than the 2019 Convertible Note) will ease the liquidity pressure on the Group and allow the Group to retain cash in the current difficult market conditions; (ii) the Revised Conversion Price is acceptable as discussed in the paragraph headed "Conversion Price" in this letter; and (iii) the increased interest rate of 4% on the 2017 (September) Convertible Note and the other Goodco Convertible Notes is less than the interest rate at which the Company would be able to borrow from banks and other independent third parties on an unsecured basis. The Company agreed to increase the interest to 4% per annum.

In light of the above, although the interest rate would be increased to 4% per annum, the increased interest rate falls within the range of that of the CB Comparables and broadly in line with the median of that of the CB Comparables. We are of the view that the extension of the maturity date and the revised interest rate are acceptable to the Company and the Shareholders as a whole. For details, please refer to the paragraph headed "Comparison with other convertible bond/note" in this letter.

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Other financing alternatives

Upon enquiry with the management of the Company, we were given to understand that the Company has considered other financing alternatives for the Group to raise funds to repay the 2017 (September) Convertible Note rather than the Proposed Alteration, including, but not limited to, bank borrowing and equity financing. However, bank borrowing may incur additional interest burden and finance costs for the Group, and the increased interest rate of 4% on the 2017 (September) Convertible Note and the other Goodco Convertible Notes is less than the interest rate at which the Group would be able to borrow from banks and other independent third parties on an unsecured basis, and in turn incur additional cash outflow and liability on the Group, which would have a negative impact on the financial position of the Group. With regard to equity financing, in view of the generally low liquidity of the Shares as further discussed in the section headed “Deeds of Amendment and Proposed Alteration” below, as well as the recent volatile market conditions, the procurement of commercial underwriting would be difficult and a private placement of Shares will inevitably cause immediate dilution effect on the shareholding of the existing Shareholders. Also, substantial cost and time may be involved in equity financing. Also, in view of the unsatisfactory financial performance of the Group mentioned under the sub-section headed “Information of the Group” above, particularly the net loss of the Group for the year ended 31 March 2020, we consider that the Company may have difficulties in (a) obtaining bank borrowing; or (b) procuring a placing agent for a placing of new Shares and/or underwriters for a rights issue or open offer of the Company. Based on the above, we concur with the view of the management of the Group that the Proposed Alteration is in the interests of the Company and the Shareholders as a whole.

B. Deeds of Amendment and Proposed Alteration

(1) Dates and Parties

The dates of and the parties to all three (3) of the Deeds of Amendment are the same.

Date: 18 September 2020 (after trading hours)

Parties: (i) Issuer: the Company

(ii) Subscriber: the Noteholder

As at the Latest Practicable Date, except under the Goodco Convertible Notes, the Noteholder does not have any other interest in unissued Shares. The Noteholder is an indirect wholly-owned subsidiary of Easyknit and the owner of approximately 17.33% of the issued Shares.

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(2) Principal terms of the Proposed Alteration

The Proposed Alteration was arrived at after arm's length negotiations between the Company and the Noteholder, and is subject to the fulfillment of all the conditions precedent. The principal terms of the Proposed Alteration are summarised as follows:

- (i) the Conversion Price of all the Goodco Convertible Notes will be revised to HK\$0.25 per Conversion Share (subject to adjustment);
- (ii) the maturity date of all the Goodco Convertible Notes will be extended to 28 August 2024 upon the Deeds of Amendment becoming unconditional; and
- (iii) the interest payable on each Goodco Convertible Note will be increased from 3% to 4% per annum.

Apart from the Proposed Alteration, no other terms and conditions of the Goodco Convertible Notes will be changed under the Deeds of Amendment.

(3) Revised numbers of Conversion Shares

The Conversion Shares will rank pari passu in all respect with the Shares in issue as at the date of the allotment and issue of the Conversion Shares.

As a result of the Proposed Alteration, a total of 389,120,000 Conversion Shares would be allotted and issued upon full conversion of the Goodco Convertible Notes at the Revised Conversion Price of HK\$0.25 broken down as follows:

- upon full conversion of the 2017 (May) Convertible Note, a total of 64,000,000 Conversion Shares will be issued, representing approximately 6.43% of the enlarged issued share capital of the Company upon its conversion;
- upon full conversion of the 2017 (September) Convertible Note, a total of 45,120,000 Conversion Shares will be issued, representing approximately 4.62% of the enlarged issued share capital of the Company upon its conversion; and
- upon full conversion of the 2019 Convertible Note, a total of 280,000,000 Conversion Shares will be issued, representing approximately 23.11% of the enlarged issued share capital of the Company upon its conversion.

Upon full conversion of all the Goodco Convertible Notes, the 389,120,000 Conversion Shares will represent approximately 29.47% of the enlarged issued share capital of the Company, enlarged by these Conversion Shares.

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(4) Revised Conversion Prices

The initial Conversion Price and the Revised Conversion Price were arrived at after arm's length negotiation between the Company and the Noteholder. The initial Conversion Price was determined with reference to the prevailing market price of the Shares in respect of each of the Goodco Convertible Notes; while the Revised Conversion Price was determined with reference to the average closing price of approximately HK\$0.252 per Share for the last five (5) consecutive trading days up to and including the date of the Deeds of Amendment.

The Revised Conversion Price of HK\$0.25 per Conversion Share was arrived at after arm's length negotiation between the Company and the Noteholder and represents:

- (i) a discount of approximately 24.24% to the closing price of the Shares of HK\$0.33 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 5.66% to the closing price of the Shares of HK\$0.265 per Share as quoted on the Stock Exchange on 18 September 2020, being the date of the Deeds of Amendment;
- (iii) a discount of approximately 0.79% to the average closing price of approximately HK\$0.252 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the date of the Deeds of Amendment;
- (iv) a discount of approximately 3.47% to the average closing price of approximately HK\$0.259 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the date of the Deeds of Amendment; and
- (v) a discount of approximately 92.1% to the audited net asset value attributable to owners of the Company per Share as at 31 March 2020 of approximately HK\$3.16 per Share.

(5) Condition precedent

Each Deed of Amendment is conditional upon the fulfillment of the following conditions precedent:

- (a) the passing by the Shareholders at the SGM, of the necessary resolution(s) to approve that Deed of Amendment and the Proposed Specific Mandate;
- (b) all necessary consents and approvals required to be obtained on the part of the Company and the Noteholder in respect of the relevant Proposed Alteration and the transactions contemplated thereunder having been obtained; and
- (c) without prejudice to the generality of condition (b) above, the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares to be allotted and issued under that Goodco Convertible Note after the relevant Proposed Alteration, and the Proposed Alteration.

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If any of the above conditions are not fulfilled on or before 31 December 2020 or such later date as the Company and the Noteholder may agree, the Deeds of Amendment will lapse and the parties shall be released from all obligations thereunder, save for any liabilities for any antecedent breaches thereof.

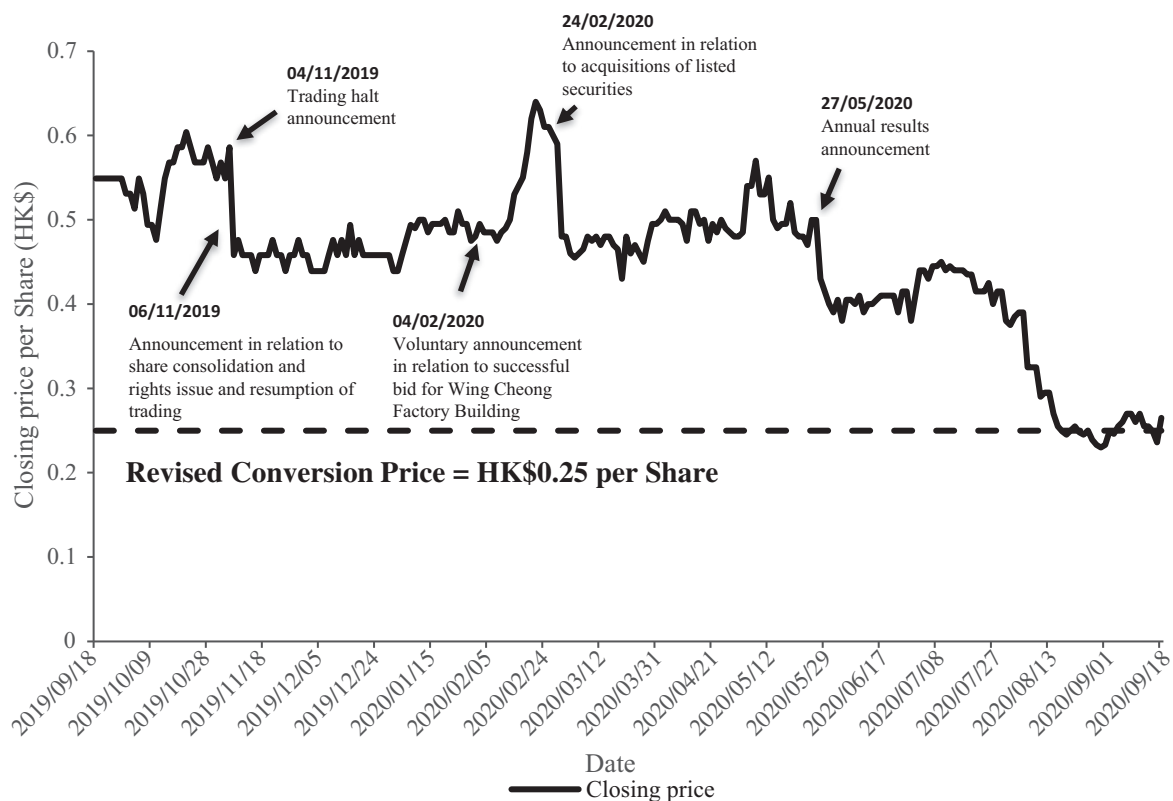
(6) *Effective Date*

The Deeds of Amendment will become effective on satisfaction of the conditions above, or such other date as may be agreed by the Company and the Noteholder in writing.

(7) *Our analysis of the Proposed Alteration*

Comparison of Revised Conversion Price with historical Share price

In order to assess the fairness and reasonableness of the Revised Conversion Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 18 September 2019 up to and including 18 September 2020 (i.e. the date of the Deeds of Amendment) (the “**Review Period**”), being a period of approximately one year prior to and including the date of Deeds of Amendment. The comparison of daily closing prices of the Shares and the Revised Conversion Price is illustrated as follows:



Source: the Stock Exchange's website

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As illustrated in the chart above, the Shares have been traded at a general downward trend during the Review Period particularly since February 2020. During the Review Period, the closing prices of the Shares ranged from HK\$0.23 per Share to HK\$0.64 per Share. The Revised Conversion Price of HK\$0.25 per Share therefore falls within the highest and lowest closing prices of the Shares, and represents a discount of 60.9% and a premium of 8.7% to the highest and lowest closing price of the Shares, respectively, during the Review Period. Meanwhile, although the Revised Conversion Price represents a discount of approximately 44.8% to the average closing price of HK\$0.25 per Share and had been below the closing prices of the Shares on a majority of the trading days throughout the Review Period, during the last 30 trading days up to and including the date of the Deeds of Amendment, the Revised Conversion Price had been above or equal to the closing prices of the Shares on 14 trading days out of the 30 trading days with an average closing price of approximately HK\$0.258 per Share during the last 30 trading days up to and including the date of the Deeds of Amendment. Although the current Share price appears to be at historically low level, given that the Shares have been traded at a general decreasing trend during the Review Period, we are of the view that the Revised Conversion Price is fair and reasonable as it reflects the current market price.

As advised by the Directors, the Directors were not aware of any events that led to the decreasing trend in the Share price for the Review Period.

Comparison of Revised Conversion Price with net asset value per Share

We note that the Revised Conversion Price of HK\$0.25 per Share represents a discount of approximately 92.1% to the consolidated net asset value per Share of approximately HK\$3.16 based on the consolidated net assets value of approximately HK\$2,941.9 million as at 31 March 2020 as disclosed in the 2020 Annual Report and the total number of 931,458,010 Shares in issue as at the Latest Practicable Date. We note that the discount of approximately 92.1% to the consolidated net asset value of the Group represented by the Revised Conversion Price is substantial.

Considering that the Shares had been consistently traded at a substantial discount to the consolidated net assets value per Share, ranging from a minimum discount of approximately 79.74% to a maximum discount of approximately 92.72% during the Review Period, we are of the view that the prevailing market price is a more relevant factor in determining the fairness and reasonableness of the Revised 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 Group as well as the prevailing market conditions. Therefore, we are of the view that the Revised Conversion Price is fair and reasonable as it reflects the current market price.

Trading liquidity of the Shares

We have reviewed the trading volume data in respect of the Shares during the Review Period and up to and including the Latest Practicable Date as illustrated in the table below.

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Set out in the table below is a summary of the monthly/period trading volume of the Shares and the percentages of such monthly/period trading volume to the issued Shares during the Review Period:

	Total trading volume of the Shares <i>Number of Shares</i>	Number of trading days in the month/period <i>Days</i>	Average daily trading volume of the Shares <i>Number of Shares</i>	Average daily trading volume as a percentage of the then total number of Shares issued <i>Approximately percentage</i>
2019				
September (starting from 18 September)	2,626,561	9	291,840	0.03%
October	9,283,654	21	442,079	0.05%
November	14,540,391	19	765,284	0.08%
December	21,246,106	20	1,062,305	0.11%
2020				
January	19,483,813	20	974,191	0.10%
February	138,604,448	20	6,930,222	0.74%
March	15,961,663	22	725,530	0.08%
April	21,167,790	19	1,114,094	0.12%
May	28,316,918	20	1,415,846	0.15%
June	6,966,780	21	331,751	0.04%
July	8,243,354	22	374,698	0.04%
August	46,187,303	21	2,199,395	0.24%
September (up to and including 18 September)	24,987,680	14	1,784,834	0.19%
September (starting from 21 September)	1,310,180	8	163,773	0.02%
October (up to the Latest Practicable Date)	6,678,505	16	417,407	0.04%
Average for Review Period				0.15%

We note from the above table that the average daily trading volume in the Review Period ranged from a minimum of approximately 0.03% of total number of issued Shares (in September 2019) to a maximum of approximately 0.74% of total number of issued Shares (in February 2020). We also note from the above table that trading in the Shares had been rather thin during the Review Period. Given the trading volume of the Shares is low and the relatively thin trading liquidity during the Review Period, this may hinder third party underwriters to participate when the Company tries to pursue fund raising exercise by way of equity financing, such as placement, rights issue or open offer.

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Comparison with other convertible bond/note

As part of our analysis, we also identified placings/subscriptions of convertible bond under specific mandate (the “**CB Comparables**”) which were announced by listed companies in Hong Kong from 18 May 2020 up to 18 September 2020 (i.e. the date of the Deeds of Amendment), being an approximate four months period prior to and including the date of the Deeds of Amendment. To the best of our knowledge and as far as we are aware, we found 10 transactions which met the said criteria and they are exhaustive as far as we are aware. We consider that the CB Comparables represent recent transactions which are reflective of the market conditions and sentiment at the time of negotiating of the Proposed Alteration. Shareholders should note that the businesses, operations and prospects of the Company are not the same as those of the subject companies of the CB Comparables.

Company name (stock code)	Date of announcement	Maturity <i>(approximate years)</i>	Interest rate per annum <i>(%)</i>	Premium/ (discount) of the conversion price over/ (to) the closing price per share on/prior to the date of agreement	Connected transaction <i>(Yes or No)</i>
Chinese Strategic Holdings Limited (8089)	14-Sep-2020	1.0	24.00	(14.10)	No
Eagle Ride Investment Holdings Limited (901)	10-Sep-2020	1.0	8.00	23.46	No
Changyou Alliance Group Limited (1039)	29-Jul-2020	3.0	3.50	7.69	Yes
Value Convergence Holdings Limited (821)	24-Jul-2020	3.0	nil	(4.31)	No
Green Leader Holdings Group Limited (61)	22-Jul-2020	2.0	nil	nil	Yes
Huajun International Group Limited (377)	30-Jun-2020	5.0	nil	245.45	Yes
China Logistics Property Holdings Co., Ltd (1589)	29-Jun-2020	5.0	6.95	(5.06)	No
Huajun International Group Limited (377)	5-Jun-2020	5.0	nil	222.58	Yes
Asiaray Media Group Limited (1993)	4-Jun-2020	Perpetual	4.00	15.00	Yes
Wai Chun Group Holdings Limited (1013)	21-May-2020	3.0	4.00	5.88	No

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Company name (stock code)	Date of announcement	Maturity (approximate years)	Interest rate per annum (%)	Premium/ (discount) of the conversion price over/ (to) the closing price per share on/prior to the date of agreement	Connected transaction (Yes or No)
	Maximum	Perpetual	24.00	245.45	
	Minimum	1.00	nil	(14.10)	
	Average	3.11	5.05	49.66	
	Median	3.00	3.75	6.79	
The Company (616)	21-Sep-2020	4 (note)	4.00	(5.66)	Yes

Note: The maturity date will be extended to 28 August 2024.

Conversion price

We noted from the above table that the conversion prices of the CB Comparables ranged from a discount of approximately 14.10% to a premium of approximately 245.45% to/over the respective closing prices of their shares on the date of/prior to agreement in relation to the respective subscription/placing of convertible bonds/notes (the “**Discount/Premium Market Range**”). Although the Revised Conversion Price appears less favourable than the median and average of the conversion price of the CB Comparables, the Revised Conversion Price, which represents a discount of approximately 5.66% to the closing price of the Shares on the date of the Deeds of Alteration nonetheless falls within the Discount/Premium Market Range.

Given that (i) the businesses, operations and prospects of the Company are not the same as the subject companies of the CB Comparables; and (ii) the background, reasons and identity of subscriber (connected person or independent third party) for the subscription may not be the same as the transactions under the CB Comparables, the above comparable analysis is not the only analysis that we take into account for the Revised Conversion Price assessment.

Accordingly, despite that the Revised Conversion Price appears less favourable than the median and average of the conversion price of the CB Comparables, having considered the facts that (i) the Revised Conversion Price was arrived at after arm’s length negotiation between the Company and the Noteholder; (ii) the Revised Conversion Price of HK\$0.25 is within the range of the lowest and highest closing prices of Shares during the Review Period; (iii) during the last 30 trading days up to and including the date of the Deeds of Amendment, the Revised Conversion Price had been above or equal to the closing prices of the Shares on 14 trading days out of the 30 trading days with an average closing price of approximately

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HK\$0.258 per Share during the last 30 trading days up to and including the date of the Deeds of Amendment; (iv) it is reasonable to set the Revised Conversion Price at discount to promote its attractiveness given the generally thin liquidity of the Shares during the Review Period; (v) the discount to the closing price of the Shares on the date of the Deeds of Alteration nonetheless falls within the Discount/Premium Market Range; (vi) the main reason for entering into the Deeds of Amendment is to extend the original maturity date of the 2017 (September) Convertible Note which would alleviate the liquidity and working capital pressure of the Group triggered by the repayment of the 2017 (September) Convertible Note due on the original maturity date; and (vii) the benefits of the Proposed Alteration as discussed in the section headed “Background of and reasons for the Proposed Alteration” above, we consider that the benefits of the Proposed Alteration outweigh the slight discount of the Revised Conversion Price and therefore, the Revised Conversion Price is acceptable to the Independent Shareholders as a whole.

Maturity

The maturity of the CB Comparables ranged from 1.0 years to perpetual with an average and a median of approximately 3.1 years and 3.0 years, respectively. The revised maturity of the Company falls within the range of the maturity of the CB Comparables and is better than the average and median of the CB Comparables.

Interest rate

As shown in the table above, the interest rates of the CB Comparables ranged from nil to 24% per annum with an average and median of approximately 5.05% and 3.75%, respectively. The revised interest rate falls within the aforesaid market range and broadly in line with the median of that of the CB Comparables. Also, as stated in the Letter from the Board, given that the revised interest rate is lower than the interest rate at which the Company would be able to borrow from banks and other independent third parties on an unsecured basis, we consider that the revised interest rate is fair and reasonable.

Having considered that (i) the maturity of the Goodco Convertible Notes of 4 years falls within the range of the maturity of the Comparables; (ii) the revised interest rate of the Goodco Convertible Note falls within the range of the interest rates among the CB Comparables and broadly in line with the median of the interest rate of the CB Comparables; and (iii) the background of and reasons for entering into the Deeds of Amendment as discussed above, we are of the view that the principal terms of the Proposed Alteration are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

C. Effect on the shareholding structure of the Company

Assuming no other changes in the issued share capital of the Company from the Latest Practicable Date up to the full conversion of the Convertible Notes, the shareholding structure of the Company (a) as at the Latest Practicable Date; (b) assuming full conversion of the Goodco Convertible Notes before the Proposed Alteration; (c) assuming full conversion of the Goodco Convertible Notes at the Revised Conversion Price and no conversion of the Madian Convertible Note; and (d) assuming full conversion of the Goodco Convertible Notes at the Revised Conversion Price and full conversion of the Madian Convertible Note are illustrated as follows:

Shareholder	(a) as at the Latest Practicable Date		(b) assuming full conversion of the Goodco Convertible Notes before the Proposed Alteration		(c) assuming full conversion of the Goodco Convertible Notes at the Revised Conversion Price and no conversion of the Madian Convertible Note		(d) assuming full conversion of the Goodco Convertible Notes at the Revised Conversion Price and full conversion of the Madian Convertible Note	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Goodco and parties in concert								
Ace Winner	90,855,000	9.75	90,855,000	8.86	90,855,000	6.88	90,855,000	6.67
Landmark Profits	23,387,370	2.51	23,387,370	2.28	23,387,370	1.77	23,387,370	1.72
Goodco								
– Shares	161,445,295	17.33	161,445,295	15.74	161,445,295	12.23	161,445,295	11.86
– underlying Shares:								
• 2017 (May) Convertible Note	6,088,511*	–	6,088,511	0.59	64,000,000	4.85	64,000,000	4.70
• 2017 (September) Convertible Note	11,445,966*	–	11,445,966	1.12	45,120,000	3.42	45,120,000	3.31
• 2019 Convertible Note	76,923,076*	–	76,923,076	7.50	280,000,000	21.20	280,000,000	20.56
Sub-total	<u>275,687,665</u>	<u>29.60</u>	<u>370,145,218</u>	<u>36.08</u>	<u>664,807,665</u>	<u>50.35</u>	<u>664,807,665</u>	<u>48.83</u>
Public								
Madian								
– Shares	6,250,000	0.67	6,250,000	0.61	6,250,000	0.47	6,250,000	0.46
– underlying Shares:								
• Madian Convertible Note	40,994,419*	–	40,994,419*	–	40,994,419*	–	40,994,419	3.01
HU Rong	47,030,000	5.05	47,030,000	44.58	47,030,000	3.56	47,030,000	3.45
Other public Shareholders	<u>602,490,345</u>	<u>64.68</u>	<u>602,490,345</u>	<u>58.73</u>	<u>602,490,345</u>	<u>45.62</u>	<u>602,490,345</u>	<u>44.25</u>
Total	<u><u>931,458,010</u></u>	<u><u>100.00</u></u>	<u><u>1,025,915,563</u></u>	<u><u>100.00</u></u>	<u><u>1,320,578,010</u></u>	<u><u>100.00</u></u>	<u><u>1,361,572,429</u></u>	<u><u>100.00</u></u>

* For illustration purposes only. The underlying Shares have not been added into the total amount or percentage.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the above table, the shareholding interests of the existing public Shareholders would be reduced from approximately 70.4% as at the Latest Practicable Date to, (i) assuming full conversion of the Goodco Convertible Notes at the Revised Conversion Price and no conversion of the Madian Convertible Note, approximately 49.65% which representing a dilution effect of approximately 29.5%; and (ii) assuming full conversion of the Goodco Convertible Notes at the Revised Conversion Price and full conversion of the Madian Convertible Note, approximately 51.17% which representing a dilution effect of approximately 27.3%. Taking into account (i) the aforementioned reasons for the Proposed Alteration; and (ii) the terms of the Deeds of Amendments being fair and reasonable, we are of the view that the dilution is justifiable.

D. Possible financial effects of the Proposed Alteration

(a) Effect on the net asset value

According to the 2020 Annual Report, the net asset value of the Group was approximately HK\$2,941.9 million as at 31 March 2020. Upon the Proposed Alteration taking effect pursuant to the Deeds of Amendment, there may be resulting in changes in fair value of the Goodco Convertible Notes which will be subject to the valuation of independent valuers and the review of the independent auditors of the Company in subsequent financial statements of the Group.

(b) Effect on liquidity

According to the 2020 Annual Report, the Group had bank balances and cash of approximately HK\$357.8 million as at 31 March 2020. Assuming no other factors affecting the financial position of the Group exercise of the conversion rights attaching to the Goodco Convertible Notes at the Revised Conversion Price; would therefore alleviate the immediate pressure on cash flow of the Group that would be required the repayment of the Goodco Convertible Notes.

(c) Effect on gearing

As indicated in the 2020 Annual Report, the gearing ratio of the Group, which is calculated as a ratio of total bank borrowings to shareholders' equity, was approximately 0.5 as at 31 March 2020. In any event of exercise the conversion rights attaching to the Goodco Convertible Notes at the Revised Conversion Price, assuming no other factors affecting the financial position of the Group, the gearing position would improve.

Although the Proposed Alteration will not have any immediate improvement effect on the gearing position of the Group, and after taking into consideration the liquidity position of the Group as discussed above, we are of the view that the Proposed Alteration is in the interest of the Company and the Shareholders as a whole.

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 Group will be upon completion of the Proposed Alteration.

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 Deeds of Amendment is not in the ordinary and usual course of business of the Group, it is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution(s) to be proposed at the SGM to approve the Proposed Alteration.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Robert Siu
Managing Director

Note: Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited, which is licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 22 years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

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

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, the persons (other than the Directors or the chief executive of the Company) who had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Notes	Capacity	Number of Shares held	Number of underlying Shares	Total	Approximate percentage of the total issued Shares
Ace Winner	(i)	Beneficial owner	90,855,000	–	90,855,000	9.75%
Goodco	(i) and (ii)	Beneficial owner	161,445,295	389,120,000	550,565,295	59.10%
Easyknit	(i) and (ii)	Interest of controlled corporation	275,687,665	389,120,000	664,807,665	71.37%
Madian	(iii)	Beneficial owner	6,250,000	40,994,419	47,244,419	5.07%
Hu Rong		Beneficial owner	47,030,000	–	47,030,000	5.05%

Notes:

- (i) In the 275,687,665 Shares, 90,855,000 Shares, 23,387,370 Shares and 161,445,295 Shares are registered in the name of and beneficially owned by Ace Winner, Landmark Profits and Goodco respectively, all of which are wholly-owned subsidiaries of Easyknit.
- (ii) The 389,120,000 underlying Shares comprise of (i) 64,000,000 revised Conversion Shares (subject to adjustment) to be issued upon full conversion of the convertible note held by Goodco issued by the Company on 11 May 2017; (ii) 45,120,000 revised Conversion Shares (subject to adjustment) to be issued upon full conversion of another convertible note held by Goodco issued by the Company on 26 September 2017; and (iii) 280,000,000 revised Conversion Shares (subject to adjustment) to be issued upon full conversion of the convertible note held by Goodco issued by the Company on 28 August 2019.
- (iii) The 40,994,419 underlying Shares are the convertible Shares to be issued (subject to adjustment) upon full conversion of the convertible note issued by the Company to Madian on 12 June 2015.

Ms. Lui Yuk Chu, an executive Director and an executive director of Easyknit, is also a director of Ace Winner, Landmark Profits and Goodco. Apart from Ms. Lui Yuk Chu, as at the Latest Practicable Date, no Director is also a director or an employee of the substantial Shareholders.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

3. LITIGATION

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

4. DIRECTORS' SERVICE CONTRACTS

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

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

Name of Director	Name of company	Nature of competing business	Nature of interest
Lui Yuk Chu	Easyknit	Property investment, property development, securities 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 Group as required to be disclosed pursuant to the Listing Rules.

6. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

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

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2020, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to the Company or any of its subsidiaries.

7. MATERIAL CONTRACTS

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

- (a) a conditional sale and purchase agreement dated 19 November 2018 entered into between Kingbest Capital Holdings Limited (a wholly-owned subsidiary of the Company), as seller, and Gold Anchor Developments Limited (a wholly-owned subsidiary of Easyknit), as purchaser, in relation to a company that owns the property known as Nos. 14–20 Inverness Road, Kowloon, Hong Kong registered in the Land Registry as New Kowloon Inland Lot No. 6573 for a consideration of HK\$1,035,000,000;
- (b) a conditional sale and purchase agreement dated 19 November 2018 entered into between Easyknit Properties Holdings Limited (a wholly-owned subsidiary of Easyknit), as seller, and Sonic Hover Limited (a wholly-owned subsidiary of the Company), as buyer, in relation to a company (the “**Easyknit Sale Company**”) that owns the property known as Easy Tower, No. 609 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong registered in the Land Registry as New Kowloon Inland Lot No. 6238 by a consideration of HK\$470,000,000;
- (c) a property management agreement dated 8 March 2019 entered into 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;
- (d) a subscription agreement dated 26 March 2019 entered into by between a wholly-owned subsidiary of the Company 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;

- (e) a third deed of amendment (the “**Third Deed**”) dated 26 March 2019 entered into between the Company and Madian in relation to the alteration of the subscription price under a convertible note held by Madian and convertible into Shares;
- (f) a fourth deed of amendment dated 8 April 2019 entered into between the Company and Madian in relation to the termination and replacement of the Third Deed, alteration of the subscription price under a convertible note held by Madian and convertible into Shares and imposition of restrictions on conversions that would lead to an offer being required under Rule 26 of the Takeovers Code and/or the Company breaching the public float requirement under the Listing Rules;
- (g) a sale and purchase agreement dated 24 May 2019 entered into between Lion Capital Investment Limited (a wholly-owned subsidiary of the Company), 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 the Company, 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;
- (h) the subscription agreement dated 17 June 2019 between the Company, as issuer, and Goodco, as subscriber, relating to the issue by the Company to Goodco a convertible note in the principal amount of HK\$70,000,000, conferring rights to convert at any time before 28 August 2024 the principal amount into the Shares at a conversion price which is currently HK\$0.91 per Share (after adjustment);
- (i) a sale and purchase agreement dated 9 July 2019 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;
- (j) an underwriting agreement dated 4 November 2019 entered into between the Company and Get Nice Securities Limited, as underwriter, in relation to, inter alia, a rights issue of the Company on the basis of four rights Shares for every one consolidated Share;
- (k) two loan agreements dated 16 January 2020 and 11 March 2020 respectively entered into between City China International Limited, a wholly-owned subsidiary of the Company, as lender, and Victor Or, as borrower, in relation to the granting of loans in the total principal amount of HK\$34,000,000;
- (l) a sale and purchase agreement dated 6 April 2020 entered into between Success Edge Limited, a wholly-owned subsidiary of the Company, as buyer, and Ng Kwai Tung, as seller, in relation to the sale and purchase of the entire issued share capital and the respective shareholder’s loan owing by Nice Able Holdings Limited; and
- (m) the Deeds of Amendment.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinion 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 2020 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

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

9. GENERAL

- (a) The company secretary of the Company is Mr. Lee Po Wing, a practising solicitor since 1994.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text to the extent of any inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong for the period of 14 days commencing from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company containing audited consolidated financial statements of the Company for the three (3) years ended 31 March 2018, 2019 and 2020;
- (c) the written consent referred to in the paragraph headed "Expert and Consent" of this appendix;
- (d) the material contracts referred to in the paragraph headed "Material Contracts" of this appendix;
- (e) the letter from Red Sun Capital Limited, the Independent Financial Adviser, the text of which is set out in this circular;
- (f) the circular(s) issued by the Company since 31 March 2020 pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules; and
- (g) this circular.

NOTICE OF THE 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 on Thursday, 19 November 2020 at 9:00 a.m. 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 three deeds of amendment (the “**Deeds of Amendment**”), copies of which have been produced to the meeting and signed by the chairman for the purpose of identification, each dated 18 September 2020 entered into between the Company and Goodco Development Limited (“**Goodco**”) in relation to the proposed alterations of certain terms of the three convertible notes held by Goodco (the “**Goodco Convertible Notes**”), including (i) the revised conversion price to HK\$0.25 per conversion share (subject to adjustment) (the “**Revised Conversion Price**”), (ii) the extension of the maturity date to 28 August 2024 upon the Deeds of Amendment becoming unconditional; and (iii) the increase of the interest payable on each Goodco Convertible Note to 4% per annum be and are hereby approved and ratified; and **THAT** the directors of the Company (the “**Directors**”) be and are hereby authorized, as a specific mandate, to allot, issue and deal with a total of 389,120,000 conversion shares in the Company (subject to adjustment) which may be issued by the Company upon full exercise of the conversion rights attaching to the Goodco Convertible Notes based on the Revised Conversion Price, subject to the restriction on conversion under the terms and conditions of the Goodco Convertible Notes; and the Directors be and are hereby authorized 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 Deeds of Amendment and the Goodco Convertible Notes.”

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

Hong Kong, 30 October 2020

NOTICE OF THE 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 entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder of the Company who is the holder of two or more shares of the Company (the “**Shares**”) may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company’s branch share registrar 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 registered holders of any Share, any one of such persons may vote, either personally or by proxy, in respect of such Share as if he was solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company (the “**Register of Members**”) in respect of such share shall alone be entitled to vote in respect thereof.
7. For the purpose of determining eligibility to attend and vote at the meeting, the Register of Members will be closed from Monday, 16 November 2020 to Thursday, 19 November 2020, (both dates inclusive), during which period, no transfers of Shares 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 Friday, 13 November 2020.

As at the date of this notice, the Board comprises Mr. Lai Law Kau, Ms. Lui Yuk Chu and Mr. Kwong Jimmy Cheung Tim as executive Directors; and Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Wu Koon Yin Welly as independent non-executive Directors.

In case of any inconsistency, the English version of this notice shall prevail over the Chinese version.