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If you have sold or transferred all your securities 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)

MAJOR AND CONTINUING CONNECTED TRANSACTION

REVOLVING LOAN AGREEMENT

AND

NOTICE OF SPECIAL GENERAL MEETING

Eminence Independent Financial Adviser

to the Eminence Independent Board Committee and the Eminence Independent Shareholders



紅日資本有限公司

RED SUN CAPITAL LIMITED

A letter from the Eminence Board is set out on pages 5 to 18 of this circular. A letter from the Eminence Independent Board Committee is set out on page 19 of this circular. A letter from the Eminence Independent Financial Adviser containing its advice to the Eminence Independent Board Committee and the Eminence Independent Shareholders is set out on pages 20 to 39 of this circular.

A notice convening the Eminence 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, 9 November 2023 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 Eminence SGM is enclosed. Whether or not the Eminence Shareholders intend to attend and vote at the Eminence SGM, the Eminence Shareholders are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to Eminence's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event not later than forty-eight (48) hours before the time appointed for holding the Eminence SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Eminence Shareholders from attending and voting in person at the Eminence SGM or any adjournment thereof (as the case may be) should they so wish and in such event, the form of proxy shall be deemed to be revoked.

Hong Kong, 18 October 2023

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE EMINENCE BOARD	5
LETTER FROM THE EMINENCE INDEPENDENT BOARD COMMITTEE	19
LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER	20
APPENDIX I – FINANCIAL INFORMATION OF THE EMINENCE GROUP	I-1
APPENDIX II – GENERAL INFORMATION – EMINENCE	II-1
NOTICE OF THE EMINENCE SGM	N-1

Accompanying Document – Form of Proxy

DEFINITIONS

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

“Annual Cap Amount”	the maximum aggregate annual amount of HK\$80,000,000 to be made available by the Lender for drawdown by the Borrower under the Revolving Loan Agreement for a term of two (2) years commencing from the Effective Date
“associates”	has the meaning ascribed thereto under the Listing Rules
“Borrower”	Main Profit Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Easyknit
“Business Day(s)”	a day (other than a Saturday, Sunday and public holidays or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon) on which banks are open for business in Hong Kong
“Conditions Precedent”	the conditions precedent to the Revolving Loan Agreement as set out in the section headed “THE REVOLVING LOAN AGREEMENT”
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Deed of Guarantee”	the deed of guarantee dated 29 August 2023 executed by Easyknit in favour of the Lender guaranteeing the obligations of the Borrower under the Revolving Loan Agreement
“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)
“Easyknit Board”	the board of the Easyknit Directors
“Easyknit Director(s)”	the director(s) of Easyknit
“Easyknit Group”	Easyknit and its subsidiaries
“Easyknit Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the share capital of Easyknit
“Easyknit Shareholder(s)”	holder(s) of the Easyknit Share(s)

DEFINITIONS

“Effective Date”	the date on which all the Conditions Precedent in the Revolving Loan Agreement have been fulfilled
“Eminence”	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)
“Eminence Board”	the board of the Eminence Directors
“Eminence Director(s)”	the director(s) of Eminence
“Eminence Group”	Eminence and its subsidiaries
“Eminence Independent Board Committee”	an independent committee of the Eminence Board comprising all the independent non-executive Eminence Directors, established for the purposes of advising and giving recommendations to the Eminence Independent Shareholders in relation to the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount
“Eminence Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed by the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed by Eminence to advise and give recommendations to the Eminence Independent Board Committee and the Eminence Independent Shareholders in relation to the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount
“Eminence Independent Shareholder(s)”	Eminence Shareholders, other than Easyknit and its associates
“Eminence SGM”	the special general meeting of Eminence to be convened and held for the purpose of considering and, if thought fit, approving the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount
“Eminence Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of Eminence
“Eminence Shareholder(s)”	holder(s) of the Eminence Share(s)
“HIBOR”	Hong Kong Inter-bank Offered Rate
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Joint Announcement”	the joint announcement of Easyknit and Eminence dated 29 August 2023 regarding the Revolving Loan Agreement
“Latest Practicable Date”	Monday, 16 October 2023, being the latest practicable date prior to the printing of this circular for ascertaining information for inclusion in this circular
“Lender”	City China International Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of Eminence, and an indirect non wholly-owned subsidiary of Easyknit
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board maintained and operated by the Stock Exchange
“Maturity Date”	the last Business Day before the second anniversary of the Effective Date
“Ms. Lui”	Ms. Lui Yuk Chu, an executive Easyknit Director and an executive Eminence Director, and an indirect substantial Easyknit Shareholder
“PRC”	the People’s Republic of China
“Previous Circular”	the circular of Eminence dated 23 June 2023 in relation to the capital reorganisation and change in board lot size; and the placing of new shares under specific mandate
“Revolving Loan”	the revolving loan facility of an amount not exceeding HK\$80,000,000 to be provided by the Lender to the Borrower pursuant to the Revolving Loan Agreement
“Revolving Loan Agreement”	the conditional revolving loan agreement dated 29 August 2023 in relation to the Revolving Loan entered into between the Lender and the Borrower
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

LETTER FROM THE EMINENCE BOARD



EMINENCE ENTERPRISE LIMITED

高山企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

Executive Eminence 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 Eminence 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

18 October 2023

To the Eminence Shareholders

Dear Sir or Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTION

THE REVOLVING LOAN AGREEMENT AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Joint Announcement.

The purpose of this circular is to provide you with, among other things, (i) further details of the Revolving Loan Agreement and the Deed of Guarantee and transactions contemplated thereunder; (ii) a letter of recommendation from the Eminence Independent Board Committee to the Eminence Independent Shareholders; (iii) a letter of advice from the Eminence Independent Financial Adviser to the Eminence Independent Board Committee and the Eminence Independent Shareholders; (iv) other information as required under the Listing Rules; and (v) a notice convening the Eminence SGM and related form of proxy.

LETTER FROM THE EMINENCE BOARD

THE REVOLVING LOAN

On 29 August 2023 (after trading hours), the Lender (an indirect wholly-owned subsidiary of Eminence) and the Borrower (an indirect wholly-owned subsidiary of Easyknit) entered into the Revolving Loan Agreement pursuant to which, among other things, the Lender has conditionally agreed to grant the Revolving Loan in the principal amount of up to a maximum of HK\$80,000,000 to the Borrower for a term of two (2) years from the Effective date for the purpose of financing the property development projects of the Easyknit Group and general corporate use subject to the terms and conditions therein.

THE REVOLVING LOAN AGREEMENT

The principal terms and conditions of the Revolving Loan Agreement are set out below:

Date	:	29 August 2023
Parties	:	(i) The Lender; and (ii) The Borrower
Effective Date	:	The Revolving Loan Agreement will be effective upon the date on which all the Conditions Precedent having been fulfilled.
Principal amount of the Revolving Loan	:	Up to a maximum of HK\$80,000,000 The Borrower may draw the Revolving Loan in one or multiple advance(s) of no less than HK\$1,000,000 per advance from the Effective Date. Any repaid principal amounts of the Revolving Loan will be available for drawing with the term of the Revolving Loan Agreement provided that the aggregate outstanding principal amount of the Revolving Loan shall not exceed HK\$80,000,000 at any time during the term.
Purpose of the Revolving Loan	:	Pursuant to the terms and conditions of the Revolving Loan Agreement, the Revolving Loan shall be used to finance the property development projects of the Easyknit Group and general corporate use.
Arrangement fee	:	HK\$80,000, being 0.1% of the maximum principal amount of the Revolving Loan, payable from the Borrower to the Lender on the Effective Date

LETTER FROM THE EMINENCE BOARD

- Interest rate : Six (6)% per annum payable in arrears at the end of the relevant interest period, or three (3) months if no interest period is selected. The Borrower shall in the relevant drawdown notice select an interest period for that advance which shall be one (1) or two (2) or three (3) or six (6) month(s) and if it does not do so the relevant interest period shall be three (3) months.
- The interest rate of the Revolving Loan was determined based on arm's length negotiations with reference to the prevailing market interest rates offered by banks in Hong Kong.
- Default interest rate : Ten (10)% per annum
- Availability period : From the Effective Date up to one (1) month before the Maturity Date provided that no advance will be made for an interest period which extends beyond the Maturity Date
- Drawdown : Advances can be made in HK\$ in a minimum amount of HK\$1,000,000 and an integral multiple(s) of HK\$100,000, subject to availability as determined at the Lender's discretion. The Borrower shall give the Lender prior written notice of each advance proposed of not less than three (3) Business Days.
- Maturity Date : The last Business Day before the second anniversary of the Effective Date
- Repayment : The Revolving Loan is repayable on demand. All amounts advanced under the Revolving Loan together with all interests accrued thereon shall be repaid at the end of the relevant interest period and all amounts due and owing under the Revolving Loan Agreement shall be repaid in full by the Borrower no later than the Maturity Date.
- Early repayment : The Borrower may early repay and without any penalty the whole or any part of an advance to the Borrower by the Lender on any Business Day provided that no advance shall be repaid during the interest period for that advance (that is, repayment is allowed without penalty at anytime except during the period of that particular drawdown).

LETTER FROM THE EMINENCE BOARD

Subject to the terms and conditions of the Revolving Loan Agreement, any amounts early repaid shall be available for re-borrowing and drawing provided always that the aggregate outstanding principal amount of the Revolving Loan shall not exceed HK\$80,000,000.

Security : Easyknit has provided the duly signed Deed of Guarantee to the Lender.

Conditions Precedent : The Revolving Loan Agreement and the availability of the Revolving Loan are subject to the satisfaction of the following conditions:

- (1) Execution of the Revolving Loan Agreement and the Deed of Guarantee by Easyknit in form and substance satisfactory to the Lender;
- (2) Receipt by the Lender and/or Eminence all necessary corporate, shareholder or government or other (if any) approvals and consents in relation to the Revolving Loan as may be required under the laws of Hong Kong or the Listing Rules; and
- (3) Receipt by the Borrower and/or Easyknit all necessary corporate, shareholder or government or other (if any) approvals and consents in relation to the Revolving Loan as may be required under the laws of Hong Kong or the Listing Rules.

As at the Latest Practicable Date, save as condition (1) above, none of the other conditions had been fulfilled.

THE DEED OF GUARANTEE

The Borrower is an indirect wholly-owned subsidiary of Easyknit. Pursuant to the terms and conditions of the Revolving Loan Agreement, Easyknit entered into the Deed of Guarantee in favour of the Lender, according to which Easyknit has guaranteed all liabilities of the Borrower to the Lender under the Revolving Loan Agreement.

PROPOSED ANNUAL CAP AMOUNT

The proposed Annual Cap Amount in respect of the Revolving Loan under the Revolving Loan Agreement for each of the three (3) financial years ending 31 March 2024, 2025 and 2026 was determined by taking into account the maximum principal amount of the Revolving Loan granted by the Lender to the Borrower pursuant to the Revolving Loan Agreement.

LETTER FROM THE EMINENCE BOARD

INFORMATION ON THE BORROWER AND THE EASYKNIT GROUP

The Borrower, an indirect wholly-owned subsidiary of Easyknit, is a company incorporated in Hong Kong with limited liability. The principal activity of the Borrower is property investment and investment in securities and others.

Easyknit 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: 1218). The Easyknit Group is principally engaged in property development, property investment, investment in securities and others and loan financing businesses.

INFORMATION ON THE LENDER AND THE EMINENCE GROUP

The Lender, an indirect wholly-owned subsidiary of Eminence and an indirect non wholly-owned subsidiary of Easyknit, is a company incorporated in Hong Kong with limited liability and a money lender holding a money lenders' licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The principal activity of the Lender is money-lending and the granting of loans is in its ordinary and usual course of business.

Eminence 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). As at the Latest Practicable Date, Easyknit together with its subsidiaries own approximately 26.59% of the issued share capital of Eminence but its financial results and financial positions continue to be consolidated in the consolidated financial statements of Easyknit as a subsidiary of Easyknit. Thus, the Lender and Eminence are, in turn, non wholly-owned subsidiaries of Easyknit. The Eminence Group is principally engaged in property development, property investment, investment in securities and others and loan financing businesses. As at the Latest Practicable Date, the Eminence Group holds approximately 2.33% of the Easyknit Shares.

USE OF PROCEEDS BY THE EASYKNIT GROUP

The Easyknit Group intends to use the proceeds from the Revolving Loan for the purpose of financing the property development projects of the Easyknit Group and general corporate use.

REASONS FOR AND BENEFITS OF THE REVOLVING LOAN

Since the beginning of 2020, the COVID-19 epidemic has had serious negative impacts on the global economy and severely affected construction and property development and investment in Hong Kong. The provision of the Revolving Loan allows the Eminence Group to earn interest income higher than prevailing market rates of fixed deposits, of about 4.5% per annum, offered by banks in Hong Kong.

LETTER FROM THE EMINENCE BOARD

Set out below is a summary of the key movements of the Eminence Group's cash balance for the period from 1 October 2022 to 31 August 2023:

	<i>HK\$</i> <i>(approximately)</i>	<i>HK\$</i> <i>(approximately)</i>
Cash balance as at 30 September 2022		231,100,000
Cash outflows from:		
– unfinanced construction costs	(50,000,000)	
– repayment of loan principal and interest	(70,000,000)	
– recurring daily operating expenses	(31,100,000)	
Total cash outflows		<u>(151,100,000)</u>
Estimated available cash balance as at 31 May 2023 as disclosed in the Previous Circular		80,000,000
Cash inflows from:		
– dividends received in Hong Kong from the PRC (equivalent to RMB96,000,000)	103,000,000	
– rental, interest income and other receipts, net	21,402,000	
– net drawing of bank loans	41,500,000	
Total cash inflows		<u>165,902,000</u>
Total available surplus cash balance as at 31 August 2023		245,902,000
Unavailable surplus cash balance from:		
– part deposit of compensation amount received from the PRC net of expenses and dividends paid	184,100,000	
– unutilized net proceeds from sale of property in Singapore (earmarked for use in September 2023)	21,000,000	
Total unavailable surplus cash balance as at 31 August 2023		<u>205,100,000</u>
Cash balance as at 31 August 2023		<u><u>451,002,000</u></u>

LETTER FROM THE EMINENCE BOARD

As disclosed in the Previous Circular, the Eminence Group had approximately HK\$231,100,000 of cash balance as at 30 September 2022. After deducting estimated cash outflows of approximately HK\$151,100,000 in aggregate, estimated cash balance of the Eminence Group as at 31 May 2023 was approximately HK\$80,000,000. The estimated cash balance as at 31 May 2023 in the Previous Circular focused primarily on expected cash outflows of the Eminence Group while the amount received in Huzhou was in the PRC and regarded as deposit received but unavailable for cash management purposes. The available surplus cash balance of the Eminence Group as at 31 August 2023 was approximately HK\$245,902,000 which excluded the net proceeds from placing of new shares under specific mandate of approximately HK\$24,700,000 as disclosed in the Previous Circular that were received on 3 August 2023 and had been fully utilized to repay the outstanding bank loan as at 31 August 2023, and was mainly attributable to the dividends received in Hong Kong by the Eminence Group of approximately HK\$103,000,000 (equivalent to RMB96,000,000) from the PRC during June and August 2023 which were not expected at the time of the Previous Circular in respect of tax paid profits generated in current and previous years which is distributed and remitted out of after tax profit in the PRC and can be freely utilized by the Eminence Group. After negotiations and discussions with authorities in the PRC, some of the previously received part deposit of the compensation amount regarding the land resumption of the Huzhou properties was required by authorities in the PRC to be recognized as revenue together with the proportionate cost. The profits after paying taxes were repatriated out of the PRC. The unavailable portion of the part deposit of the compensation amount received of approximately HK\$184,100,000 will be available for use when the transaction of land resumption of the Huzhou properties is completed and the relevant profit is taxed and remitted out of the PRC by way of dividends payment or distributions after winding up of Easyknit Enterprises (Huzhou) Co., Ltd. (永義實業(湖州)有限公司) (a wholly foreign-owned enterprise established in Huzhou, the PRC and an indirect wholly-owned subsidiary of Eminence). As regards the receipt of the compensation amount of the Huzhou properties, up to 31 August 2023, out of the total amount of RMB386,982,000 (as disclosed in the announcement of Eminence dated 5 October 2022) that is receivable, RMB279,585,600 had already been received (including approximately HK\$87,200,000 (equivalent to RMB80,000,000) received during June to August 2023). The remaining amount that is yet to be received is RMB107,396,400 and the Eminence Group will continue to liaise with authorities in the PRC.

Net drawing of bank loans by the Eminence Group during June to August 2023 was approximately HK\$41,500,000, which comprises drawing of new bank loans in total amount of approximately HK\$78,500,000 and repayment of bank loans of approximately HK\$37,000,000. The new bank loans drawn down and used to finance operating expenses and recurring loan principal and interest repayment obligations, and as working capital of the Eminence Group. The new bank loans were drawn under a revolving term loan facility granted by a bank in Hong Kong which will mature in April 2024 and is renewable after then. It was secured by a standby letter of credit issued with corresponding pledged deposit in the PRC. Gross interest rate, inclusive of setup and arrangement cost of the new bank loans was HIBOR plus 1.85% per annum. After taking into account the interest rate of 1.5% per annum earned from the associated pledged deposit in the PRC, the effective all-in interest rate of the new bank loans was HIBOR plus 0.35% per annum, which is lower than the interest rate of HIBOR plus 1.8% per annum of the outstanding loan that was partially repaid after the placing of new shares under specific mandate, as well as the interest rates of other existing bank loans of the Eminence Group. However, the new bank loans are of shorter maturity, that is less than one (1) year than the existing loans. Although drawing the new bank loans increased the gearing ratio of the Eminence Group, it helped vitalize the unavailable cash balances in the PRC through pledges of deposits to support the new bank loans extended to the Eminence Group in Hong Kong. The net gearing ratio of the Eminence Group was not increased through drawing of the new bank loans.

LETTER FROM THE EMINENCE BOARD

Based on the above, the Eminence Group has an excessive net available surplus cash balance of approximately HK\$245,902,000 for the grant of the Revolving Loan.

Given the expected amount of available cash balance of approximately HK\$245,902,000, as the Revolving Loan is repayable on demand, the Eminence Group can demand the Borrower to repay the borrowed amount of the Revolving Loan at any time before the Maturity Date of the Revolving Loan Agreement.

The source of funding for the Revolving Loan is internal resources of the Eminence Group. In view of the above, the Eminence Directors have reviewed the working capital needs and projections of the Eminence Group and considered that the granting of the Revolving Loan will not materially and adversely affect the Eminence Group's ordinary business operations.

The Eminence Group has currently four (4) property development projects underway, all having construction loan facilities granted by banks with 80% of the construction costs being financed. The King Lam Street and Matheson Street projects will both complete shortly in the fourth quarter of 2023, and the approximately HK\$800,000,000 construction loans of these two (2) projects will be due after issuance of occupation permits which are expected to be obtained by the end of 2023. The Eminence Group has started initial discussions with the financing banks regarding arrangements as to such loans after completion of the projects which are expected to be either extension of the loans or refinancing as mortgage loans. No adverse opinion has been received from the banks yet and final arrangements will be subject to further discussions and confirmations with the banks involved. At the time of the Previous Circular, Hong Kong had just reopened after the long COVID-19 lockdown measures. The Eminence Group was yet to better estimate the economic environment and market conditions before a more concrete and viable marketing plan for the development properties could be formulated. As mentioned in the Previous Circular, the Eminence Group has no concrete plan to arrange for disposal of the other three (3) remaining commercial and industrial projects which were initially planned to be held for long-term rental purposes. Nevertheless, the Eminence Group will actively review the market conditions, its financial position and performance in order to determine the best possible action plans for these projects. It did not represent a change of intention of the Eminence Group, indeed the Eminence Group had not decided yet the best strategy and timing for rolling out of sale of, especially the King Lam Street and Matheson Street projects that will eventually complete by the end of 2023. Nevertheless, offering the two (2) projects for sale, whether by en bloc or strata sale anytime is always a key option that would be taken by the Eminence Group as long as there is favourable offer. Before that happens, the Eminence Group will maximize its return by leasing out the properties for rental purpose. The Eminence Directors have considered and planned to offer for sale of the two (2) projects when opportunities arise and exact arrangement will be subject to business strategy and market conditions after their completion by the fourth quarter of 2023, and will use the generated proceeds to repay the HK\$800,000,000 construction loans. The Eminence Group therefore has excessive cash for the grant of the Revolving Loan.

LETTER FROM THE EMINENCE BOARD

Apart from the HK\$800,000,000 of construction loans and the new bank loans facility that will mature within one (1) year, there are the expiring borrowings of approximately HK\$285,100,000 with interest rates ranging from HIBOR plus 1.45% per annum to HIBOR plus 1.55% per annum, which will mature before the Maturity Date of the Revolving Loan Agreement, mainly expiring by August and September 2024. These are mainly term loans pledged with properties of the Eminence Group were previously renewed in September 2019, April 2021 and January 2023 respectively. The Eminence Group has not experienced difficulty in the past where loans had not been extended or renewed by the banks and it is expected that such loans will be maintained refinanced with extended maturity and updated interest rates. At present, the Eminence Group does not foresee that such construction loans will not be refinanced or extended based on its discussions progress with the banks.

As the Revolving Loan is repayable on demand, the Eminence Group could demand immediate repayment of the outstanding balance of the Revolving Loan from the Borrower in case it requires the funds for its own use. The Eminence Group closely monitors and reviews its financial position to determine the best possible strategy for managing its cash resources. The Eminence Group has taken into account the granting of the HK\$80,000,000 Revolving Loan in estimating its future cashflows and determines that it will have sufficient working capital for supporting its operations in the foreseeable future. Nevertheless, when the situation requires, the Eminence Group will take necessary actions in deploying its available cash resources, including demand for repayment of the outstanding balance of the Revolving Loan. If instead of the Revolving Loan the funds were deployed to conduct early repayment of those expiring borrowings before their expiries, the cash balance that the Eminence Group could deploy within a short period of time decreases immediately, reducing its flexibility in mobilizing its cash resources. In the event that the Eminence Group has to obtain more financing from banks, it may have to go through a lengthy procedure and the interest rates may not be favourable to the Eminence Group.

For setting and negotiating the interest rate for the Revolving Loan, the Eminence Board made reference to (i) the quoted fixed deposit rates of above 4.5% per annum from banks in Hong Kong which is the return Eminence could earn by placing its surplus funds with banks for a fixed period; and (ii) the weighted average interest rate of the loans granted by the Lender to its borrowers as at 31 July 2023 is approximately 5.69%. The higher interest rate of six (6)% as stipulated in the Revolving Loan Agreement allows the Eminence Group to better utilize its surplus cash resources and generate additional interest income. The Federal Reserve in the United States had decided to hold interest rates steady in a decision released on 20 September 2023 and its latest quarterly projections show rates falling half a percentage point in 2024. Therefore, it is expected that interest rates will be held or will start to decrease from 2024 and interest rates in Hong Kong should follow such trend given the pegging of the HK\$ and US\$. At a time of expected falling interest rates in the market, a fixed interest rate for the Revolving Loan could benefit Eminence by generating more interest income instead of a floating rate referencing to HIBOR. The highest interest rate of the secured bank borrowings of Eminence taking into account HIBOR of around 5.1% as at the date of the Revolving Loan Agreement is approximately 6.9% per annum, and the balance of such loan was approximately HK\$22,600,000 as at 31 August 2023. Instead of a lump sum repayment of the outstanding loan, Eminence had continued to make repayments in accordance with the repayment schedule as stipulated in the bank facility agreement, as Eminence was of the opinion that at the moment it would be better to retain more deployable cash for its treasury planning instead of repaying in advance to banks of loans which may be difficult to re-draw again at interest rate comparable to the current level. Retaining more readily available cash resources would serve as resource buffer to meet unexpected and unpredictable circumstances. As at 31 August 2023, gearing ratio of Eminence, calculated by dividing the total bank loans by the total shareholders' equity

LETTER FROM THE EMINENCE BOARD

was approximately 61.7% due to the new drawing of bank loans during June to August 2023. If net gearing ratio is considered, as calculated by dividing the total bank loans net of cash by the total shareholders' equity was approximately 47.9%.

The Eminence Board reviews treasury planning and cash management of the Eminence Group from time to time and aims to strengthen its financial position by repaying its outstanding bank loans and thus lowering its gearing ratio. Focusing on its bank loans of maturity within one (1) year with high interest rate, the Eminence Directors plan to repay such loans but subject to the final discussions and confirmations between the Eminence Group and the banks which is expected to be taken place in late 2023 or early 2024 and the banks may require partial repayments during refinancing of construction loans or extension of existing bank loans in which the Eminence Group needs to retain certain cash resources to cater for such potential repayments required. The Eminence Board believes that when refinancing or extension is cleared or confirmed and in case the Eminence Group has surplus cash on hand by then, the Eminence Group will be in a better position to consider and execute further repayments of bank loans with high interest rate of especially over six (6)% in order to reduce gearing ratio and interest burden, and thus strengthen its financial position. Specifically, the Eminence Group may demand the Borrower to repay the borrowed amount of the Revolving Loan at any time to meet loan repayment with high interest rate of especially over six (6)% and other funding needs. Therefore, the Eminence Directors are of the view that it is prudent for the Eminence Group to retain sufficient cash resources as such funds will be deployed to satisfy partial repayments required by the banks.

The Lender is a registered money lender holding a valid money lenders' license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and is principally engaged in the business of money lending services. Therefore, the grant of the Revolving Loan is made in the ordinary and usual course of business of the Eminence Group.

Taking into account the above, the Eminence Directors are of the view that the lending of the HK\$80,000,000 Revolving Loan would give Eminence more flexibility in its fund management when the Revolving Loan Agreement expires at the Maturity Date. The returned and hold up funds will then remain as cash resource of Eminence for supporting its operations and property projects to be completed by 2025 and 2026. Maintaining a loan with fixed return rate of six (6)% per annum and the execution of the Deed of Guarantee by Easyknit will generate better return than placing deposits at banks and is considered less risky than other forms of investments.

The provision of the Revolving Loan allows the Eminence Group to better allocate resources and generate stable revenue and cash flow stream by earning interest income. The higher interest rate in the Revolving Loan than fixed deposits allows the Eminence Group to better utilize its surplus cash resources and earn more favourable income. Besides, the Revolving Loan will be executed with the Deed of Guarantee given by Easyknit, the ultimate holding company of the Borrower which is a listed company in Hong Kong. Although there are other options like short-term investment, however the Eminence Directors considered that such investment would be risky under prevailing market conditions and also limit its financial flexibility. Therefore, the Eminence Directors are of the opinion that the interest rate is fair and reasonable, and is beneficial to the Eminence Group as a whole.

LETTER FROM THE EMINENCE BOARD

The terms of the Revolving Loan Agreement, including interest rate of six (6)%, were negotiated on an arm's length basis between the Lender and the Borrower with regard to the prevailing market conditions. The Eminence Directors consider that the interest rate under the Revolving Loan Agreement is attractive and favourable as compared with the prevailing time deposit rates of about 4.5% per annum offered by banks in Hong Kong. Given the expected cash position and the terms of the Revolving Loan Agreement being fair and reasonable, the Eminence Board is of the view that the entering into the Revolving Loan Agreement and transactions contemplated thereunder can generate considerable returns to the Eminence Group and represent an investment opportunity which is beneficial to the Eminence Group.

The Eminence Board has also reviewed the financial information of Easyknit considering that Easyknit entered into the Deed of Guarantee in favour of the Lender. As disclosed in the annual report of Easyknit for the year ended 31 March 2023, the net asset value of Easyknit as at 31 March 2023 amounted to approximately HK\$4,992,400,000, which is substantially more than the Revolving Loan. The major assets of Easyknit include investment properties and properties held for development for sale. In addition, given the background of the Borrower, being an indirect wholly-owned subsidiary of Easyknit, and to the best knowledge, information and belief of the Eminence Directors and having made reasonable enquiries, the Borrower does not have any previous record of default of payment to other financial institutions. As such, in view of the Deed of Guarantee executed by Easyknit of all obligations under the Revolving Loan Agreement, the Eminence Board is of the view that the provision of the Revolving Loan is relatively low risk and is confident with the recoverability of the Revolving loan no later than the Maturity Date.

Based on the above, the Eminence Directors are of the opinion that the grant of the Revolving Loan with a principal amount of up to HK\$80,000,000 at the interest rate of six (6)% under the Revolving Loan Agreement is on normal commercial terms, fair and reasonable based on the current market conditions and therefore entering into the Revolving Loan Agreement is in the interests of the Eminence Group and the Eminence Shareholders as a whole.

Taking into account the above, the Eminence Directors (excluding the members of the Eminence Independent Board Committee who will form their view after receiving advice from the Eminence Independent Financial Adviser) are of the opinion that the interest rate of six (6)% per annum under the Revolving Loan Agreement is on normal commercial terms, fair and reasonable based on the current market conditions and therefore entering into the Revolving Loan Agreement is in the interests of the Eminence Group and the Eminence Shareholders as a whole.

Ms. Lui (an executive Easyknit Director and a substantial Easyknit Shareholder, and also an executive Eminence Director) abstained from voting on the Eminence Board resolutions to approve the Revolving Loan Agreement and transactions contemplated thereunder. No other Eminence Directors abstained, or was required to abstain, from voting on the Eminence Board resolutions or is required to abstain from voting at the Eminence SGM.

LETTER FROM THE EMINENCE BOARD

As at the Latest Practicable Date, the Eminence Directors were of the opinion that, after taking into account it has sufficient cash balance to satisfy all funding needs together with all the liabilities (including repayment of bank loans) which will mature in the next twelve (12) months, in the absence of unforeseeable circumstances, the Eminence Group has sufficient working capital for its requirements for the next twelve (12) months and Eminence has no present plan or intention to conduct, or has not entered into any agreement, arrangement, undertaking or negotiation in relation to, any debt and/or equity fund-raising activities in the next twelve (12) months. However, the Eminence Board cannot rule out such possibility and in the event suitable opportunities arise in order to support future development of the Eminence Group, Eminence will make announcements in this regard in accordance with the Listing Rules as and when appropriate.

FINANCIAL EFFECT OF THE REVOLVING LOAN

In relation to the grant of the Revolving Loan of up to a maximum principal amount of HK\$80,000,000, which represents approximately 2.5% of the net asset value of the Eminence Group as at 31 March 2023. Pursuant to the Revolving Loan Agreement, the Eminence Group is entitled to receive interest income at an interest rate of six (6)% per annum, amounting to HK\$4,800,000 for each year. Other than that, it is expected that there will not be any material effect on the earnings, assets and liabilities of the Eminence Group immediately after the execution of the Revolving Loan Agreement.

LISTING RULES IMPLICATIONS

The Revolving Loan Agreement constitutes the provision of financial assistance by the Eminence Group to the Easyknit Group (of which the Eminence Group is part). As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the amount of the Revolving Loan exceeds 25% for Eminence pursuant to Rule 14.07 of the Listing Rules, the Revolving Loan Agreement and transactions contemplated thereunder constitute a major transaction for Eminence under Rule 14.06(3) of the Listing Rules and is therefore subject to the reporting, announcement, circular and the Eminence Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Easyknit together with its subsidiaries own approximately 26.59% of the issued share capital of Eminence but the financial results and financial positions of Eminence continue to be consolidated in the consolidated financial statements of Easyknit as a subsidiary of Easyknit. Thus, the Lender and Eminence are, in turn, non wholly-owned subsidiaries of Easyknit.

The Borrower is an indirect wholly-owned subsidiary of Easyknit and thus a member of the Easyknit Group, and accordingly is a connected person of Eminence, the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount constitute a continuing connected transaction for Eminence under the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the amount of the Revolving Loan or the Annual Cap Amount exceeds 25% and the amount of the Revolving Loan or the Annual Cap Amount exceeds HK\$10,000,000 for Eminence, the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount constitute a continuing connected transaction for Eminence and are therefore subject to the reporting, announcement, circular and the Eminence Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE EMINENCE BOARD

The Eminence Independent Board Committee (comprising all the independent non-executive Eminence Directors) has been established to give recommendations to the Eminence Independent Shareholders on the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount. The Eminence Independent Financial Adviser has been appointed to advise and give recommendations to the Eminence Independent Board Committee and the Eminence Independent Shareholders in respect of the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount.

EMINENCE SGM

The Eminence SGM will be convened and held to consider and, if thought fit, approve the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount by the Eminence Independent Shareholders by way of poll. Easyknit and the Borrower, together with their respective associates, will abstain from voting in respect of the resolution(s) approving the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount at the Eminence SGM.

A notice convening the Eminence 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, 9 November 2023 at 9:00 a.m. is set out on pages N-1 to N-2 of this circular. A form of proxy for the Eminence SGM is enclosed with this circular. Whether or not the Eminence Shareholders are able to attend and vote at the Eminence 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 Eminence's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the Eminence SGM. Completion and return of the form of proxy will not preclude the Eminence Shareholders from attending and voting in person at the Eminence SGM or any adjournment thereof should they so wish and, in such event, the form of proxy shall be deemed to be revoked.

The resolution(s) put to the Eminence SGM will be voted on by way of poll.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Eminence Shareholders' eligibility to attend and vote at the Eminence SGM, the register of members of Eminence will be closed from Monday, 6 November 2023 to Thursday, 9 November 2023, both dates inclusive. During such period, no Eminence Share transfers will be registered. In order to qualify to attend and vote at the Eminence SGM, all transfers of the Eminence Shares accompanied by the relevant share certificates must be lodged with Eminence's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, 3 November 2023.

LETTER FROM THE EMINENCE BOARD

RECOMMENDATION

The Eminence Board (including the Eminence Independent Board Committee, who has considered, among other matters, the factors and reasons considered by, and the opinion of the Eminence Independent Financial Adviser) is of the opinion that the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount are fair and reasonable and in the best interests of Eminence and the Eminence Shareholders as a whole and the Eminence Board recommends the Eminence Shareholders to vote in favour of the resolution(s) to approve the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount to be proposed at the Eminence SGM.

RESPONSIBILITY STATEMENT

The circular, for which the Eminence Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Eminence. The Eminence 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.

MATERIAL CHANGE

The Eminence Directors confirm that, as at the Latest Practicable Date, there has been no material adverse change in the financial or trading position or outlook of the Eminence Group since 31 March 2023, the date to which the latest published audited financial statements of Eminence were made up, up to and including the Latest Practicable Date.

ADDITIONAL INFORMATION

Your attention is drawn to the notice of the Eminence 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



EMINENCE ENTERPRISE LIMITED

高山企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

18 October 2023

To the Eminence Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTION

REVOLVING LOAN AGREEMENT

We refer to the circular of Eminence dated 18 October 2023 (the “**Circular**”) and have been appointed as members of the Eminence Independent Board Committee to advise you in respect of the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount, details of which are set out in the letter from the Eminence Board in the Circular, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw your attention to the letter from the Eminence Independent Financial Adviser as set out on pages 20 to 39 of the Circular, which contains its advice and recommendations to the Eminence Independent Board Committee as to whether or not the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount are fair and reasonable so far as the Eminence Independent Shareholders are concerned and in the interests of Eminence and the Eminence 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 Eminence Independent Financial Adviser as stated in its aforementioned letter, we are of the opinion that the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount are on normal commercial terms, fair and reasonable and in the ordinary and usual course of business of the Eminence Group as far as the Eminence Independent Shareholders are concerned and in the interests of Eminence and the Eminence Shareholders as a whole. We, therefore, recommend the Eminence Independent Shareholders to vote in favour of the resolution(s) to be proposed at the Eminence SGM to approve the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount.

Yours faithfully,

For and on behalf of the Eminence Independent Board Committee

Kan Ka Hon

*Independent non-executive
Eminence Director*

Lau Sin Ming

*Independent non-executive
Eminence Director*

Wu Koon Yin Welly

*Independent non-executive
Eminence Director*

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

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



紅日資本有限公司
RED SUN CAPITAL LIMITED

Room 310, 3/F.,
China Insurance Group Building,
141 Des Voeux Road Central,
Hong Kong

Tel: (852) 2857 9208

Fax: (852) 2857 9100

18 October 2023

*To the Eminence Independent Board Committee
and the Eminence Independent Shareholders*

Dear Sir or Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTION

REVOLVING LOAN AGREEMENT

INTRODUCTION

We refer to our appointment as the Eminence Independent Financial Adviser to advise the Eminence Independent Board Committee and the Eminence Independent Shareholders in relation to the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount, details of which are set out in the letter from the Eminence Board (the “**Letter from the Eminence Board**”) enclosed in the circular dated 18 October 2023 issued by Eminence to the Eminence 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 29 August 2023 (after trading hours), the Lender (an indirect wholly-owned subsidiary of Eminence) and the Borrower (an indirect wholly-owned subsidiary of Easyknit) entered into the Revolving Loan Agreement pursuant to which, amongst other things, the Lender has conditionally agreed to grant the Revolving Loan in the principal amount of up to a maximum of HK\$80,000,000 to the Borrower for a term of two (2) years from the Effective Date for the purpose of financing the property development projects of the Easyknit Group and general corporate use subject to the terms and conditions therein.

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

The Revolving Loan Agreement constitutes the provision of financial assistance by the Eminence Group to the Easyknit Group (of which the Eminence Group is part). As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the amount of the Revolving Loan exceeds 25% for Eminence pursuant to Rule 14.07 of the Listing Rules, the Revolving Loan Agreement and transactions contemplated thereunder constitute a major transaction for Eminence under Rule 14.06(3) of the Listing Rules and is therefore subject to the reporting, announcement, circular and the Eminence Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Borrower is an indirect wholly-owned subsidiary of Easyknit and thus a member of the Easyknit Group, and accordingly is a connected person of Eminence, the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount constitute a continuing connected transaction for Eminence under the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the amount of the Revolving Loan or the Annual Cap Amount exceeds 25% and the amount of the Revolving Loan or the Annual Cap Amount exceeds HK\$10,000,000 for Eminence, the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount constitute a continuing connected transaction for Eminence and are therefore subject to the reporting, announcement, circular and the Eminence Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Ms. Lui (an executive Easyknit Director and a substantial Easyknit Shareholder and also an executive Eminence Director) abstained from voting on the Eminence Board resolutions to approve the Revolving Loan Agreement and transactions contemplated thereunder. No other Eminence Director abstained, or was required to abstain, from voting on the Eminence Board resolutions or is required to abstain from voting at the Eminence SGM.

The Eminence SGM will be convened and held to consider and, if thought fit, approve the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount by the Eminence Independent Shareholders by way of poll. Easyknit and the Borrower, together with their respective associates, will abstain from voting in respect of the resolution(s) approving the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount at the Eminence SGM.

THE EMINENCE INDEPENDENT BOARD COMMITTEE

The Eminence Independent Board Committee comprising three (3) independent non-executive Eminence Directors, namely Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Wu Koon Yin Welly, has been established to give recommendations to the Eminence Independent Shareholders on the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount.

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

We, Red Sun Capital Limited, have been appointed by Eminence as the Eminence Independent Financial Adviser to advise the Eminence Independent Board Committee and the Eminence Independent Shareholders in relation to the (i) Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount; and (iii) how to vote at the Eminence SGM. Our appointment has been approved by the Eminence Independent Board Committee. Our role as the Eminence Independent Financial Adviser is to give our recommendation to the Eminence Independent Board Committee and the Eminence Independent Shareholders as to (i) whether the terms of the Revolving Loan Agreement are fair and reasonable so far as the Eminence Independent Shareholders are concerned; (ii) whether the Revolving Loan and the Annual Cap Amount are in the interests of the Eminence Group and the Eminence Independent Shareholders as a whole; and (iii) how the Eminence Independent Shareholders should vote in respect of the resolution(s) to approve the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion, we have reviewed, among other things, (i) the Revolving Loan Agreement; (ii) the Deed of Guarantee; (iii) the annual report of the Eminence Group for the year ended 31 March 2023 (the “**2023 Annual Report**”); and (iv) the annual report of Easyknit for the year ended 31 March 2023 (the “**Easyknit 2023 Annual Report**”). We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our opinion and recommendation. We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Eminence Directors and the management of Eminence (the “**Management**”). 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 Eminence Directors. We have assumed that all statements, information and representations provided by the Eminence Directors and the Management, for which they are solely responsible, were true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Eminence Independent Shareholders will be notified of any material changes to such information and representations on or before the Eminence SGM. We have also assumed that all statements of belief, opinion and expectation made by the Eminence Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by Eminence, its advisers and/or the Eminence Directors. We believe that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Eminence Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Eminence Group.

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

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Eminence Group, nor have we considered the taxation implication as a result of the Revolving Loan. 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. The Eminence Independent Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion after the Latest Practicable Date or lead us to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Eminence Shares or any other securities of Eminence.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in Eminence or any other parties that could reasonably be regarded as relevant to our independence. In the last two (2) years, we have acted as the independent financial adviser to independent board committees and independent shareholders of Eminence in relation to (i) the adjustments to the conversion price of the convertible note of Eminence, details of which are set out in the certificate dated 3 August 2023; (ii) a very substantial acquisition and connected transaction, details of which are set out in the circular of Eminence dated 21 January 2023; and (iii) the adjustments to the conversion prices of the convertible notes of Eminence, details of which are set out in the certificate dated 20 April 2022. Apart from the abovementioned independent financial adviser roles, we have not acted in any capacity for Eminence in the past two (2) years.

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

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Business and financial overview of the Eminence Group

Table 1: Consolidated income statement of the Eminence Group

	For the year ended	
	31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Audited)	(Restated)
Continuing operations		
Revenue	27,194	37,081
Cost of services rendered	(2,969)	(2,910)
Profit before taxation	57,321	87,219
Taxation credit (charge)	1,649	(696)
Profit for the year attributable to owners of Eminence	63,572	116,447

Financial year ended 31 March 2023 (“FY2023”) versus financial year ended 31 March 2022 (“FY2022”)

As extracted from the 2023 Annual Report, the principal source of revenue of the Eminence Group was derived from (i) rental income; and (ii) interest income from loan financing which contributed to approximately 89.8% and 10.2% of the total revenue of the Eminence Group for FY2023, respectively.

As set out in Table 1 above, the revenue from continuing operations of the Eminence Group decreased by approximately HK\$9.9 million or approximately 26.7% from approximately HK\$37.1 million in FY2022 to approximately HK\$27.2 million in FY2023. Such decrease was mainly attributable to (i) the decrease in the rental income by HK\$6.1 million from approximately HK\$30.5 million in FY2022 to approximately HK\$24.4 million in FY2023; and (ii) the decrease in the interest income from loan financing by HK\$3.8 million from approximately HK\$6.6 million in FY2022 to approximately HK\$2.8 million in FY2023.

The Eminence Group’s profit for the year decreased by approximately HK\$52.8 million from approximately HK\$116.4 million for FY2022 to approximately HK\$63.6 million for FY2023. Such decrease was mainly attributable to, among other things, (i) decrease in revenue; (ii) decrease in gain or settlement of loans receivable by properties; (iii) decrease in write-back on properties held for development for sale, net; and (iv) decrease in profit from discontinued operation.

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

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

	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Audited)	(Audited)
Non-current assets	1,438,126	1,495,937
Current assets	4,186,141	3,383,871
Non-current liabilities	1,521,181	962,755
Current liabilities	867,920	901,866
Net current assets	3,318,221	2,482,005
Total equity	3,235,166	3,015,187

Financial position as at 31 March 2023 versus financial position as at 31 March 2022

As set out in Table 2 above, as at 31 March 2023, the Eminence Group recorded net current assets of approximately HK\$3,318.2 million (as compared to approximately HK\$2,482.0 million as at 31 March 2022). The Eminence Group's current assets increased from approximately HK\$3,383.9 million as at 31 March 2022 to approximately HK\$4,186.1 million as at 31 March 2023. Such increase was mainly attributable to the combined effect of (i) the increase in properties held for development for sale by approximately HK\$287.2 million; (ii) the decrease in trade and other receivables by approximately HK\$69.9 million; (iii) the decrease in loan receivables by approximately HK\$16.4 million; (iv) the decrease in financial assets at fair value through profit or loss in current portion of approximately HK\$66.2 million; (v) the decrease in debt instruments at fair value through other comprehensive income in current portion by approximately HK\$1.8 million; and (vi) the increase in cash and cash equivalents by approximately HK\$271.9 million. The Eminence Group's current liabilities decreased from approximately HK\$901.9 million as at 31 March 2022 to approximately HK\$867.9 million as at 31 March 2023 which was mainly attributable to combined effect of (i) the increase in trade and other payables by approximately HK\$1.9 million; (ii) the increase in deposit received for disposal of assets classified as held for sale by approximately HK\$226.8 million; (iii) the decrease in convertible notes by approximately HK\$16.3 million; (iv) the decrease in secured bank borrowings by approximately HK\$244.7 million; and (v) the decrease in lease liabilities by approximately HK\$1.4 million.

2. Background information of the Revolving Loan

Information of the Lender and the Eminence Group

As extracted from the Letter from the Eminence Board, the Lender, an indirect wholly-owned subsidiary of Eminence and an indirect non wholly-owned subsidiary of Easyknit, is a company incorporated in Hong Kong with limited liability and a money lender holding a money lenders' licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The principal activity of the Lender is money-lending and the granting of loans is in its ordinary and usual course of business.

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

Eminence 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). As at the Latest Practicable Date, Easyknit together with its subsidiaries own approximately 26.59% of the issued share capital of Eminence but its financial results and financial positions continue to be consolidated in the consolidated financial statements of Easyknit as a subsidiary of Easyknit. Thus, the Lender and Eminence are, in turn, non wholly-owned subsidiaries of Easyknit. The Eminence Group is principally engaged in property development, property investment, investment in securities and others and loan financing businesses. As at the Latest Practicable Date, the Eminence Group holds approximately 2.33% of the Easyknit Shares.

3. Principal terms of the Revolving Loan Agreement

Date	:	29 August 2023
Parties	:	(i) The Lender; and (ii) The Borrower
Effective Date	:	The Revolving Loan Agreement will be effective upon the date on which all the Conditions Precedent having been fulfilled.
Principal amount of the Revolving Loan	:	Up to a maximum of HK\$80,000,000 The Borrower may draw the Revolving Loan in one or multiple advance(s) of no less than HK\$1,000,000 per advance from the Effective Date. Any repaid principal amounts of the Revolving Loan will be available for drawing with the term of the Revolving Loan Agreement provided that the aggregate outstanding principal amount of the Revolving Loan shall not exceed HK\$80,000,000 at any time during the term.
Purpose of the Revolving Loan	:	Pursuant to the terms and conditions of the Revolving Loan Agreement, the Revolving Loan shall be used to finance the property development projects of the Easyknit Group and general corporate use.
Arrangement fee	:	HK\$80,000, being 0.1% of the maximum principal amount of the Revolving Loan, payable from the Borrower to the Lender on the Effective Date

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

Interest rate : Six (6)% per annum payable in arrears at the end of the relevant interest period, or three (3) months if no interest period is selected. The Borrower shall in the relevant drawdown notice select an interest period for that advance which shall be one (1) or two (2) or three (3) or six (6) month(s) and if it does not do so the relevant interest period shall be three (3) months.

The interest rate of the Revolving Loan was determined based on arm's length negotiations with reference to the prevailing market interest rates offered by banks in Hong Kong.

Default interest rate : Ten (10)% per annum

Availability period : From the Effective Date up to one (1) month before the Maturity Date provided that no advance will be made for an interest period which extends beyond the Maturity Date

Drawdown : Advances can be made in HK\$ in a minimum amount of HK\$1,000,000 and an integral multiple(s) of HK\$100,000, subject to availability as determined at the Lender's discretion. The Borrower shall give the Lender prior written notice of each advance proposed of not less than three (3) Business Days.

Maturity Date : The last Business Day before the second anniversary of the Effective Date

Repayment : The Revolving Loan is repayable on demand. All amounts advanced under the Revolving Loan together with all interests accrued thereon shall be repaid at the end of the relevant interest period and all amounts due and owing under the Revolving Loan Agreement shall be repaid in full by the Borrower no later than the Maturity Date.

Early repayment : The Borrower may early repay and without any penalty the whole or any part of an advance to the Borrower by the Lender on any Business Day provided that no advance shall be repaid during the interest period for that advance (that is, repayment is allowed without penalty at anytime except during the period of that particular drawdown).

Subject to the terms and conditions of the Revolving Loan Agreement, any amounts early repaid shall be available for re-borrowing and drawing provided always that the aggregate outstanding principal amount of the Revolving Loan shall not exceed HK\$80,000,000.

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

- Security : Easykmit has provided the duly signed Deed of Guarantee to the Lender.
- Conditions Precedent : The Revolving Loan Agreement and the availability of the Revolving Loan are subject to the satisfaction of the following conditions:
- (1) Execution of the Revolving Loan Agreement and the Deed of Guarantee by the Easykmit in form and substance satisfactory to the Lender;
 - (2) Receipt by the Lender and/or Eminence all necessary corporate, shareholder or government or other (if any) approvals and consents in relation to the Revolving Loan as may be required under the laws of Hong Kong or the Listing Rules; and
 - (3) Receipt by the Borrower and/or Easykmit all necessary corporate, shareholder or government or other (if any) approvals and consents in relation to the Revolving Loan as may be required under the laws of Hong Kong or the Listing Rules.

4. Reasons for and benefits of the Revolving Loan

Since the beginning of 2020, the COVID-19 epidemic has had serious negative impacts on the global economy and severely affected construction and property development and investment in Hong Kong. The provision of the Revolving Loan allows the Eminence Group to earn interest income higher than prevailing market rates of fixed deposits, of about 4.5% per annum, offered by banks in Hong Kong.

Please refer to the Letter from the Eminence Board for the summary of the key movements of the Eminence Group's cash balance for the period from 1 October 2022 to 31 August 2023.

In view of the Deed of Guarantee executed by Easykmit of all obligations under the Revolving Loan Agreement, the Eminence Board is of the view that the provision of the Revolving Loan is relatively low risk and is confident with the recoverability of the Revolving Loan no later than the Maturity Date.

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Previous Circular, the Eminence Group had approximately HK\$231,100,000 of cash balance as at 30 September 2022. After deducting estimated cash outflows of approximately HK\$151,100,000 in aggregate, estimated cash balance of the Eminence Group as at 31 May 2023 was approximately HK\$80,000,000. The estimated cash balance as at 31 May 2023 in the Previous Circular focused primarily on expected cash outflows of the Eminence Group, while the amount received in Huzhou was in the PRC and regarded as deposit received but unavailable for cash management purposes. The available surplus cash balance of the Eminence Group as at 31 August 2023 was approximately HK\$245,902,000 which excluded the net proceeds from placing of new shares under specific mandate of approximately HK\$24,700,000 as disclosed in the Previous Circular that were received on 3 August 2023 and had been fully utilized to repay the outstanding bank loan as at 31 August 2023, and was mainly attributable to the dividends received in Hong Kong by the Eminence Group of approximately HK\$103,000,000 (equivalent to RMB96,000,000) from the PRC during June and August 2023 which were not expected at the time of the Previous Circular in respect of tax paid profits generated in current and previous years which is distributed and remitted out of after tax profit in the PRC and can be freely utilized by the Eminence Group. After negotiations and discussions with authorities in the PRC, some of the previously received part deposit of the compensation amount regarding the land resumption of the Huzhou properties was required by authorities in the PRC to be recognized as revenue together with the proportionate cost. The profits after paying taxes were repatriated out of the PRC. The unavailable portion of the part deposit of the compensation amount received of approximately HK\$184,100,000 will be available for use when the transaction of land resumption of the Huzhou properties is completed and the relevant profit is taxed and remitted out of the PRC by way of dividends payment or distributions after winding up of Easyknit Enterprises (Huzhou) Co., Ltd. (永義實業(湖州)有限公司) (a wholly foreign-owned enterprise established in Huzhou, the PRC and an indirect wholly-owned subsidiary of Eminence). As regards the receipt of the compensation amount of the Huzhou properties, up to 31 August 2023, out of the total amount of RMB386,982,000 (as disclosed in the announcement of Eminence dated 5 October 2022) that is receivable, RMB279,585,600 had already been received (including approximately HK\$87,200,000 (equivalent to RMB80,000,000) received during June to August 2023). The remaining amount that is yet to be received is RMB107,396,400 and the Eminence Group will continue to liaise with authorities in the PRC.

As set out in the Letter from the Eminence Board, net drawing of bank loans by the Eminence Group during June to August 2023 was approximately HK\$41,500,000, which comprises drawing of new bank loans in total amount of approximately HK\$78,500,000 and repayment of bank loans of approximately HK\$37,000,000. The new bank loans drawn down and used to finance operating expenses and recurring loan principal and interest repayment obligations, and as working capital of the Eminence Group. We understand from the Management that the Eminence Group has gone through a number of procedures with banks in order to draw the new bank loans of gross amount of approximately HK\$78,500,000. If the Eminence Group conducts early repayment of its existing bank borrowings, the respective loan facility would be settled and such loan facility will no longer be available to the Eminence Group. If the Eminence Group intends to re-obtain the loan facility again the bank would treat it as a new application which may need to go for a lengthy procedure and the then rates available may or may not be favourable to the Eminence Group, therefore conducting early repayment may not be in the interests of Eminence and the Eminence Shareholders in the event that the Eminence Group has to use such cash in a foreseeable future.

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

The new bank loans were drawn under a revolving term loan facility granted by a bank in Hong Kong which will mature in April 2024 and is renewable after then. It was secured by a standby letter of credit issued with corresponding pledged deposit in the PRC. Gross interest rate, inclusive of setup and arrangement cost of the new bank loans was HIBOR plus 1.85% per annum. After taking into account the interest rate of 1.5% per annum earned from the associated pledged deposit in the PRC, the effective all-in interest rate of the new bank loans was HIBOR plus 0.35% per annum, which is lower than the interest rate of HIBOR plus 1.8% per annum of the outstanding loan that was partially repaid after the placing of new shares under specific mandate, as well as the interest rates of other existing bank loans of the Eminence Group. However, the new bank loans are of shorter maturity, that is less than one (1) year than the existing loans. Although drawing the new bank loans increased the gearing ratio of the Eminence Group, it helped vitalize the unavailable cash balances in the PRC through pledges of deposits to support the new bank loans extended to the Eminence Group in Hong Kong. The net gearing ratio of the Eminence Group was not increased through drawing of the new bank loans.

Based on the above, the Eminence Group has an excessive net available surplus cash balance of approximately HK\$245,902,000 for the grant of the Revolving Loan.

Given the expected amount of available cash balance of approximately HK\$245,902,000, as the Revolving Loan is repayable on demand, the Eminence Group can demand the Borrower to repay the borrowed amount of the Revolving Loan at any time before the Maturity Date set out in the Revolving Loan Agreement.

The source of funding for the Revolving Loan is internal resources of the Eminence Group. In view of the above, the Eminence Directors have reviewed the working capital needs and projections of the Eminence Group and considered that the granting of the Revolving Loan will not materially and adversely affect the Eminence Group's ordinary business operations.

The Eminence Group has currently four (4) property development projects underway, all having construction loan facilities granted by banks with 80% of the construction costs being financed. The King Lam Street and Matheson Street projects will both complete shortly in the fourth quarter of 2023, and the approximately HK\$800,000,000 construction loans of these two (2) projects will be due after issuance of occupation permits which are expected to be obtained by the end of 2023. The Eminence Group has started initial discussions with the financing banks regarding arrangements as to such loans after completion of the projects which are expected to be either extension of the loans or refinancing as mortgage loans. No adverse opinion has been received from the banks yet and final arrangements will be subject to further discussions and confirmations with the banks involved. At the time of the Previous Circular, Hong Kong had just reopened after the long COVID-19 lockdown measures. The Eminence Group was yet to better estimate the economic environment and market conditions before a more concrete and viable marketing plan for the development properties could be formulated. As mentioned in the Previous Circular, the Eminence Group has no concrete plan to arrange for disposal of the other three (3) remaining commercial and industrial projects which were initially planned to be held for long-term rental purposes. Nevertheless, the Eminence Group will actively review the market conditions, its financial position and performance in order to determine the best possible action plans for these projects. It did not represent a change of intention of the Eminence Group, indeed the Eminence Group had not decided yet the best strategy and timing for rolling out of sale of, especially the King Lam Street and Matheson Street projects that will eventually complete by the end of 2023. Nevertheless, offering the two (2) projects for sale, whether by en bloc or strata sale anytime is always a key option that would be taken by the Eminence Group as long as there is favourable offer. Before that

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

happens, the Eminence Group will maximize its return by leasing out the properties for rental purpose. The Eminence Directors have considered and planned to offer for sale of the two (2) projects when opportunities arise and exact arrangement will be subject to business strategy and market conditions after their completion by the fourth quarter 2023, and will use the generated proceeds to repay the HK\$800,000,000 construction loans. The Eminence Group therefore has excessive cash for the grant of the Revolving Loan.

Apart from the HK\$800,000,000 of construction loans and the new bank loans facility that will mature within one (1) year, there are the expiring borrowings of approximately HK\$285,100,000 with interest rates ranging from HIBOR plus 1.45% per annum to HIBOR plus 1.55% per annum, which will mature before the Maturity Date of the Revolving Loan Agreement, mainly expiring by August and September 2024. These are mainly term loans pledged with properties of the Eminence Group were previously renewed in September 2019, April 2021 and January 2023 respectively. The Eminence Group has not experienced difficulty in the past where loans had not been extended or renewed by the banks and it is expected that such loans will be maintained refinanced with extended maturity and updated interest rates. At present, the Eminence Group does not foresee that such construction loans will not be refinanced or extended based on its discussions progress with the banks.

As the Revolving Loan is repayable on demand, the Eminence Group could demand immediate repayment of the outstanding balance of the Revolving Loan from the Borrower in case it requires the funds for its own use. The Eminence Group closely monitors and reviews its financial position to determine the best possible strategy for managing its cash resources. The Eminence Group has taken into account the granting of the HK\$80,000,000 Revolving Loan in estimating its future cashflows and determines that it will have sufficient working capital for supporting its operations in the foreseeable future. Nevertheless, when the situation requires, the Eminence Group will take necessary actions in deploying its available cash resources, including demand for repayment of the outstanding balance of the Revolving Loan. If instead of the Revolving Loan the funds were deployed to conduct early repayment of those expiring borrowings before their expiries, the cash balance that the Eminence Group could deploy within a short period of time decreases immediately, reducing its flexibility in mobilizing its cash resources. In the event that the Eminence Group has to obtain more financing from banks, it may have to go through for a lengthy procedure and the interest rates may not be favourable to the Eminence Group.

For setting and negotiating the interest rate for the Revolving Loan, the Eminence Board made reference to (i) the quoted fixed deposit rates of above 4.5% per annum from banks in Hong Kong which is the return Eminence could earn by placing its surplus funds with banks for a fixed period; and (ii) the weighted average interest rate of the loans granted by the Lender to its borrowers as at 31 July 2023 is approximately 5.69%. The higher interest rate of six (6)% as stipulated in the Revolving Loan Agreement allows the Eminence Group to better utilize its surplus cash resources and generate additional interest income. The current HIBOR of around 5.0% per annum is higher than that of 4.5% per annum as quoted in the Previous Circular. The trend of the fixed deposit rates in Hong Kong normally goes in line with HIBOR which has become considerably high at recent months. The highest interest rate of the secured bank borrowings of Eminence taking into account HIBOR of around 5.1% as at the date of the Revolving Loan Agreement is approximately 6.9% per annum, and the balance of such loan was approximately HK\$22,600,000 as at 31 August 2023. Instead of a lump sum repayment of the outstanding loan, Eminence had continued to make repayments in accordance with the repayment schedule as stipulated in the bank facility agreement, as Eminence was of the opinion that at the moment it would be better to retain more deployable cash for its treasury planning instead of repaying

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

in advance to banks of loans which may be difficult to re-draw again at interest rate comparable to the current level. Retaining more readily available cash resources would serve as resource buffer to meet unexpected and unpredictable circumstances. As at 31 August 2023, gearing ratio of Eminence, calculated by dividing the total bank loans by the total shareholders' equity was approximately 61.7% due to the net drawing of bank loans during June to August 2023. If net gearing ratio is considered, as calculated by dividing the total bank loans net of cash by the total shareholders' equity was approximately 47.9%.

The Eminence Board reviews treasury planning and cash management of the Eminence Group from time to time and aims to strengthen its financial position by repaying its outstanding bank loans and thus lowering its gearing ratio. Focusing on its bank loans of maturity within one (1) year with high interest rate, the Eminence Directors plan to repay such loans but subject to the final discussions and confirmations between the Eminence Group and the banks which is expected to be taken place in late 2023 or early 2024 and the banks may require partial repayments during refinancing of construction loans or extension of existing bank loans in which the Eminence Group needs to retain certain cash resources to cater for such potential repayments required. The Eminence Board believes that when refinancing or extension is cleared or confirmed and in case the Eminence Group has surplus cash on hand by then, the Eminence Group will be in a better position to consider and execute further repayments of bank loans with high interest rate of especially over six (6)% in order to reduce gearing ratio and interest burden, and thus strengthen its financial position. Specifically, the Eminence Group may demand the Borrower to repay the borrowed amount of the Revolving Loan at any time to meet loan repayment with high interest rate of especially over six (6)% and other funding needs. Therefore, the Eminence Directors are of the view that it is prudent for the Eminence Group to retain sufficient cash resources as such funds will be deployed to satisfy partial repayments required by the banks.

The Lender is a registered money lender holding a valid money lenders' license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and is principally engaged in the business of money lending services. Therefore, the grant of the Revolving Loan is made in the ordinary and usual course of business of the Eminence Group. As further communicated with the Management, generally the loans under the money lending services provided by the Lender to its borrowers carried fixed interest rate instead of floating interest rate. The Eminence Group considered that floating interest rate can be fluctuated with an unstable interest income while fixed interest rate can provide with the Eminence Group a stable interest income, fixed interest rate with stable interest income is more favourable to the Eminence Group based on prudent approach which have been adopted for years by the Eminence Group. Considering (i) the loans provided by the Lender to its borrowers generally carried fixed interest rate; (ii) the Eminence Group can generate stable interest income from the Revolving Loan; and (iii) prudent approach which have been adopted for years by the Eminence Group, we are of the view that the fixed interest rate is favourable to the Eminence Group to provide stable income during the loan period.

Having considered the analysis of the interest rate of the Revolving Loan as set out under the section headed "5. Analysis of the principal terms of the Revolving Loan Agreement" in this letter below, we noted that majority of the Market Comparables carried fixed interest rates and is a normal and common market practice. Therefore, we are of the view that it is a market norm to adopt fixed interest rate for the Revolving Loan. As advised by the Management, considering that (i) both parties agreed for a fixed interest rate instead of a floating rate of the Revolving Loan; (ii) the Revolving Loan is repayable on demand which provides flexibility for Eminence; (iii) Eminence may or may not be able to re-obtain the loan facility after repayment as stated above; (iv) the Revolving Loan also carry an

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

arrangement fee of 0.1% with the interest rate of six (6)% per annum which is higher than the prevailing market rates of fixed deposits of about 4.5% per annum; and (v) the Eminence Group may seek for a better return by considering placing fixed deposits or other forms of investments in case the market condition changes, fixed interest rate is more applicable as compared to floating rate for the Revolving Loan and we are of the view that the fixed interest rate of the Revolving Loan to be fair and reasonable.

We further understand from the Management that if Eminence decides to conduct early repayment of its existing bank borrowings by using surplus cash balance, based on its experience with the banks, in the event that Eminence has to re-obtain the loan financing from banks, Eminence may have to go for a lengthy procedure and the rates available may or may not be favourable to Eminence. Therefore, we consider the provision of loan facility at an interest rate of six (6)% instead of repaying its existing bank borrowings is in the interests of Eminence and the Eminence Shareholders as a whole.

According to the 2023 Annual Report, the cash and cash equivalents of the Eminence Group as at 31 March 2023 amounted to approximately HK\$354.0 million, representing an increase of more than three (3) times as compared to the same as at 31 March 2022. As advised by the Management, it is intended that such cash resources will be used for financing any future business opportunities or investment of the Eminence Group. However, as at the Latest Practicable Date, Eminence had not identified any suitable investment targets or business opportunities to pursue for the abundant cash on hand. We further noted from the Previous Circular mentioning there are two (2) construction loans (for two (2) property development projects to be completed within 2023) with facility amount up to approximately HK\$800,000,000 will be due in the third and fourth quarters of 2023. As further advised by the Management, Eminence has initiated the discussions with banks. As disclosed in the Letter from the Eminence Board, the HK\$800,000,000 construction loans will be either extended pending completion of the project or refinanced as mortgage loan when completed. The Eminence Group will offer for sale of the projects if opportunities arise. Given the (i) increased cash level with no identified suitable investment targets or business opportunities; and (ii) the construction loans to be matured will be extended or refinanced as mortgage loans as mentioned above, we are of the view that the entering into of the Revolving Loan Agreement could keep the return on investment of surplus cash whilst maintain financial flexibility based on Eminence's latest financial position.

We have enquired with the Management as to whether Eminence has considered fixed deposit or short-term investments. As advised by the Eminence Directors, Eminence has assessed different investment options to fully utilise the existing cash resources in order to enhance the return to Eminence and the Eminence Shareholders as a whole including but not limited to fixed deposits in local currency or short-term investments, however, the Management consider that making short-term investments would be risky under the prevailing unfavorable financial market conditions and would also reduce the financial flexibility of Eminence. As set out in the Letter from the Eminence Board, in determining the interest rate of the Revolving Loan Agreement, the Eminence Directors have made reference to the prevailing market rates of fixed deposits of about 4.5% per annum offered by several banks in Hong Kong. Such fixed deposit rates were lower than the interest rates offered by the Borrower for the provision of the Revolving Loan, which have been disclosed under the section headed "3. Principal terms of the Revolving Loan Agreement" above. As such, the provision of the Revolving Loan allows the Eminence Group to better allocate resources and generate stable revenue and cash flow stream by earning interest income.

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

As further set out in the Letter from the Eminence Board, the terms of the Revolving Loan Agreement, including interest rate of six (6)%, were negotiated on an arm's length basis between the Lender and the Borrower with regard to the prevailing market conditions. The Eminence Directors consider that the interest rate under the Revolving Loan Agreement is attractive and favourable as compared with the prevailing time deposit rates of about 4.5% per annum offered by banks in Hong Kong. Given the expected cash position and the terms of the Revolving Loan Agreement being fair and reasonable, the Eminence Board is of the view that the entering into the Revolving Loan Agreement and transactions contemplated thereunder can generate considerable returns to the Eminence Group and represent an investment opportunity which is beneficial to the Eminence Group.

As at the Latest Practicable Date, the Eminence Directors were of the opinion that, after taking into account it has sufficient cash balance to satisfy all funding needs together with all the liabilities (including repayment of bank loans) which will matured in the next twelve (12) months, in the absence of unforeseeable circumstances, the Eminence Group has sufficient working capital for its requirements for the next twelve (12) months and Eminence has no present plan or intention to conduct, or has not entered into any agreement, arrangement, undertaking or negotiation in relation to, any debt and/or equity fund-raising activities in the next twelve (12) months. However, the Eminence Board cannot rule out such possibility and in the event suitable opportunities arise in order to support future development of the Eminence Group, Eminence will make announcements in this regard in accordance with the Listing Rules as and when appropriate.

Given the aforesaid factors and having taken into account the creditworthiness of the Borrower as well as its financial conditions after reviewing the available financial information, Eminence has selected the provision of the Revolving Loan to the Borrower as the investment alternatives for its surplus cash. Therefore having considered the above, we are of the view that the provision of the Revolving Loan will enable Eminence to enhance the return on investment on its surplus cash resources, which is beneficial to the financial performance of Eminence, while at the same time maintain its cash flow flexibility.

Regarding the possible credit risk under the Revolving Loan Agreement, pursuant to the terms and conditions of the Revolving Loan Agreement, Easyknit entered into the Deed of Guarantee in favour of the Lender, according to which Easyknit has guaranteed all liabilities of the Borrower to the Lender under the Revolving Loan Agreement. We have also attempted to obtain the credit rating of the Borrower. However, such credit rating not publicly available as the Borrower is a private company. Alternatively, we have reviewed the Easyknit 2023 Annual Report considering that Easyknit entered into the Deed of Guarantee in favour of the Lender. We noted that the net asset value of Easyknit as at 31 March 2023 amounted to approximately HK\$4,992.4 million, which is substantially more than the Revolving Loan. The major assets of Easyknit include investment properties and properties held for development for sale. In addition, given the background of the Borrower, being an indirect wholly-owned subsidiary of Easyknit, and to the best knowledge, information and belief of the Eminence Directors and having made reasonable enquiries, the Borrower does not have any previous record of default of payment to other financial institutions, we consider that the default risk of the Borrower would be low. As such, we are of the view that the credit risk and default risk under the Revolving Loan are acceptable based on the (i) provision of the Deed of Guarantee executed by Easyknit; (ii) the financial position of Easyknit pursuant to the provision of the Deed of Guarantee; and (iii) no previous record of default of payment.

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

Having considered the above, in particular (i) the Lender is a registered money lender holding a valid money lenders license; (ii) the abundance of cash held by the Eminence Group; and (iii) the relatively low credit and default risk of the Borrower as demonstrated by the Deed of Guarantee executed by Easyknit and the Borrower's financial strength, we are of the view that the entering into the Revolving Loan Agreement is in the ordinary and usual course of business of Eminence and is in the interests of Eminence and the Eminence Shareholders as a whole.

5. Analysis of the principal terms of the Revolving Loan Agreement

As advised by the Management, short-term bank deposits of the Eminence Group carried fixed interest rates ranging from approximately 2.0% to 4.0% per annum and bank balances of the Eminence Group carried interest at average market rate of approximately 0.1% per annum as at 31 March 2023. As a result, although the risks associated with the Revolving Loan and deposits in banks are different, the interest rate for the Revolving Loan is well above the interest rates which the Eminence Group received from its deposits in banks.

In order to assess the fairness and reasonableness of the terms of the Revolving Loan Agreement, in view that the Revolving Loan is provided by the subsidiary of Eminence to its connected subsidiary, we therefore reviewed similar transactions involving the provision of loan to a connected person with interest by companies listed in Hong Kong during the period from 29 May 2023 to and up to the date of the joint announcement of Eminence and Easyknit dated 29 August 2023 (the "Review Period"), being approximately three (3) month period prior to the date of the Revolving Loan Agreement, which was considered to be sufficient for the purpose of our analysis set out hereunder as we are of the view that the transactions to be representative of similar historical transactions.

On a best effort basis and to the best of our knowledge, we have identified eleven (11) transactions on an exhaustive basis (the "Market Comparables") which meet the aforementioned criteria. We are of the view that the Market Comparables based on such Review Period and criteria set out above are meaningful references to the Eminence Independent Shareholders on the general market practice in connection with recent similar transactions. The Eminence Independent Shareholders should note that the size, business nature, scale of operations and prospects of Eminence are not exactly the same as the Market Comparables and we have not conducted any in-depth investigation into the size, business nature, scale of operations and prospects of the Market Comparables. Nevertheless, given that this analysis is aiming at taking a general reference to the market practice in relation to similar type of transactions, we consider that our comparable analysis on the terms of the Revolving Loan Agreement without limiting to companies that are with similar size, business nature and scale of operations as that of the Eminence Group is fair and reasonable and useful for the Eminence Independent Shareholders' reference. We set out our findings in the table below:

Date of announcement	Company name	Stock code	Size of the loan	Interest rate of the loan	Term to maturity	Collateral/ Guarantee
29 August 2023	Neusoft Education Technology Co. Limited	9616	Equivalent to approximately HK\$88 million (<i>Note 1</i>)	4.25%	36 months	Yes

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name	Stock code	Size of the loan	Interest rate of the loan	Term to maturity	Collateral/ Guarantee
21 August 2023	GBA Holdings Limited	261	HK\$70 million	7.00%	48 months	No
18 August 2023	Readboy Education Holding Company Limited	2385	(i) Equivalent to approximately HK\$2.2 million; (ii) Equivalent to approximately HK\$8.8 million; and (iii) Equivalent to approximately HK\$5.5 million (Note 1)	3.95%	(i) 5.5 months; (ii) 3 months; and (iii) 7.5 months	N/A (Note 4)
17 August 2023	Binhai Investment Company Limited	2886	Equivalent to approximately HK\$330 million (Note 1)	4.05% (Note 2)	36 months	Yes
16 August 2023	Rare Earth Magnesium Technology Group Holdings Limited	601	HK\$10 million	5.00%	12 months	No
7 August 2023	Joy Spreader Group Inc.	6988	Equivalent to approximately HK\$85.8 million (Note 3)	3.00%	36 months	N/A (Note 4)
31 July 2023	Zhaojin Mining Industry Company Limited	1818	(i) Equivalent to approximately HK\$660 million; and (ii) Equivalent to approximately HK\$660 million (Note 1)	(i) 3.95%; and (ii) 4.24%	(i) 48 months; and (ii) 60 months	N/A (Note 4)
26 July 2023	Summit Ascent Holdings Limited	102	Equivalent to approximately HK\$155 million (Note 3)	6.00%	120 months	N/A (Note 4)
23 July 2023	Global Strategic Group Limited	8007	Equivalent to approximately HK\$11.0 million (Note 1)	5.00%	6 months	N/A (Note 4)
27 June 2023	Arrail Group Limited	6639	Equivalent to approximately HK\$85.8 million (Note 3)	5.5%	18 months	Yes

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name	Stock code	Size of the loan	Interest rate of the loan		Collateral/ Guarantee
				Term to maturity		
31 May 2023	Hengxin Technology Ltd.	1085	Equivalent to approximately HK\$231 million (<i>Note 1</i>)	4.9%	12 months	No
Maximum			Approximately HK\$660 million	7.00%	120 months	
Minimum			Approximately HK\$2.2 million	3.00%	3 months	
Average			Approximately HK\$171.7 million	4.62%	32 months	
Median			Approximately HK\$85.8 million	4.25%	27 months	
29 August 2023	Eminence	616	HK\$80 million	6.00%	24 months	Yes

Source: The website of the Stock Exchange (www.hkex.com.hk) and adopted from the relevant announcements.

Notes:

1. For illustration purpose only, RMB has been translated at RMB\$1 to HK\$1.10.
2. As disclosed in the announcement of Binhai Investment Company Limited dated 17 August 2023, the loan shall bear interest from and including the interest calculation date at an annual interest rate calculated by adding 0.5% on top of the one-year loan prime rate (the “LPR”) in PRC in effect during the terms of the Loan. According to the announcement, the prevailing one-year LPR as published by the National Inter-bank Funding Centre (authorized by the People’s Bank of China) was 3.55% per annum.
3. For illustration purpose only, US\$ has been translated at US\$1 to HK\$7.8.
4. No information in relation to the collateral or the guarantee was noted in the announcement.

5.1 Interest rate

As illustrated by the above table, the interest rate of the Market Comparables ranges from 3.00% to 7.00%, with an average of approximately 4.62% and a median of approximately 4.25%. We note that the interest rate of 6% under the Revolving Loan Agreement is higher than the average and the median, and falls within the range of the interest rate of the Market Comparables. We further noted that (i) nine (9) out of eleven (11) Market Comparables carried fixed interest rates; and (ii) two (2) out of eleven (11) Market Comparables carried floating interest rate with reference to the one-year loan prime rate announced by the National Interbank Funding Center. Considering (i) majority of the Market Comparables carried fixed interest rates; and (ii) loan prime rate may increase or decrease resulting in the potential fluctuation on the interest income, we are of the view that the fixed interest rate of the Revolving Loan is a normal and common market practice and provide with the Eminence Group a fixed interest income in a prudent basis. Accordingly, we consider that adopting the fixed interest rate and also the interest rate of the Revolving Loan is fair and reasonable.

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

5.2 Term to maturity

As illustrated by the above table, the term of maturity of the Market Comparables ranges from 3 months to 120 months with an average of 32 months and median of 27 months. The duration of the Revolving Loan Agreement is in line with the aforesaid range of Market Comparables. Accordingly, we consider the term of maturity of the Revolving Loan Agreement to be fair and reasonable.

5.3 Collateral/Guarantee

As illustrated by the above table, eight (8) out of eleven (11) Market Comparables were not secured by collateral or guarantee or no information in relation to the collateral or the guarantee was noted in the announcements. As such, it is not uncommon in the market for provision of a loan to a connected person by the listed companies in Hong Kong without collateral or guarantee.

Based on the above, we are of the view that the terms of the Revolving Loan Agreement are on normal commercial terms, fair and reasonable as far as the Eminence Independent Shareholders are concerned and in the interests of Eminence and the Eminence Shareholders as a whole.

6. Proposed Annual Cap Amount

As disclosed in the Letter from the Eminence Board, the proposed Annual Cap Amount in respect of the Revolving Loan under the Revolving Loan Agreement for each of the three (3) financial years ending 31 March 2024, 2025 and 2026 was determined by taking into account the maximum principal amount of the Revolving Loan granted by the Lender to the Borrower pursuant to the Revolving Loan Agreement.

Taking into account that (i) the abundance of cash held by the Eminence Group of approximately HK\$354.0 million as at 31 March 2023, which is above the Annual Cap Amount of HK\$80 million; (ii) the anticipated increase of interest income to be received based on the increased Cap Amount; and (iii) the Deed of Guarantee executed by Easyknit, we consider the Annual Cap Amount to be fair and reasonable so far as the Eminence Independent Shareholders are concerned.

7. Possible financial effects of the entering into of the Revolving Loan Agreement

Effect on net assets

According to the 2023 Annual Report, the net assets of the Eminence Group was approximately HK\$3,235.2 million. In relation to the grant of the Revolving Loan of up to a maximum principal amount of HK\$80,000,000, which represents approximately 2.5% of the net asset value of the Eminence Group as at 31 March 2023. It is expected that the net assets of the Eminence Group would remain unchanged as a result of the provision of the Revolving Loan.

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

Effect on earnings

As the Eminence Group will be entitled to an arrangement fee of HK\$80,000 and interest income amounting to HK\$4,800,000 for each year on the Revolving Loan in the event that any amount is drawn down by the Borrower, the provision of the Revolving Loan would likely to have a positive impact on the future earnings of the Eminence Group.

Effect on liquidity and gearing ratio

Since the Eminence Group intends to finance the provision of the Revolving Loan by its internal resources and the Revolving Loan to be provided will be classified as current assets of the Eminence Group, the Eminence Group's gearing ratio (being calculated as total borrowings over total equity attributable to the owners of Eminence) and working capital (being calculated as current assets minus current liabilities) will remain unchanged as a result of the provision of the Revolving Loan.

RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, we are of the view that the terms of the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount are on normal commercial terms, fair and reasonable so far as the Eminence Independent Shareholders are concerned, and the provision of the Revolving Loan is in the ordinary and usual course of business of the Eminence Group, in the interests of Eminence and the Eminence Shareholders as a whole. Accordingly, we recommend the Eminence Independent Shareholders, as well as the Eminence Independent Board Committee to advise the Eminence Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the Eminence SGM to approve the Revolving Loan Agreement and transactions contemplated thereunder or the Annual Cap Amount.

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

Note: Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and has over 25 years of experience in corporate finance industry.

1. FINANCIAL SUMMARY OF THE EMINENCE GROUP

Further information about the Eminence Group is disclosed in the last three (3) published annual reports, copies of which can be located at the hyperlinks below:

For the year ended	Hyperlink	Principal relevant pages
31 March 2023	https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0721/2023072100323.pdf	94-233
31 March 2022	https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0722/2022072200147.pdf	87-221
31 March 2021	https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0714/2021071400346.pdf	75-221

2. WORKING CAPITAL

The Eminence Directors are of the opinion that, after taking into account its available financial resources to the Eminence Group, including internal resources and the effect of the provision of the Revolving Loan, the Eminence Group has sufficient working capital for its requirements for the next twelve (12) months from the date of this circular. Eminence has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

3. INDEBTEDNESS

As at the close of business of 31 August 2023, being the latest practicable date for the purpose of determining the indebtedness of the Eminence Group prior to the printing of this circular, the Eminence Group had outstanding bank borrowings of approximately HK\$2,000,900,000, which were secured by charges over investment properties and properties held for development for sale of the Eminence Group with carrying amounts of approximately HK\$1,229,900,000 and HK\$3,476,800,000 respectively at 31 August 2023 and all bank borrowings were guaranteed by Eminence.

Save as disclosed above and for intra-group liabilities, the Eminence Group did not have any debt securities authorized or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guaranteed, unguaranteed, secured and unsecured borrowing and debt, or other material contingent liabilities as at the close of business on 31 August 2023.

4. FINANCIAL AND TRADING PROSPECTS OF THE EMINENCE GROUP

Although uncertainties in global economic outlook have been caused by softening global economic growth, high level of inflation rate, continuous geo-political conflicts and COVID-19 pandemic impacts, the Eminence Group maintains a cautiously optimistic view on the property market and will devote resources and efforts in increasing and replenishing its land bank for development. The Eminence Group will continuously adopt a prudent approach on property portfolio management. In addition, the Eminence Group will actively look for potential investment properties for recurring income and capital appreciation, at the same time strengthening its loan financing business for stable recurring income. These strategies are intended to enable the Eminence Group to maintain its competitiveness thereby ensuring the Eminence Group's sustainability and securing the Eminence Shareholders' benefits.

5. MATERIAL ADVERSE CHANGE

The Eminence Directors confirm that, as at the Latest Practicable Date, there has been no material adverse change in the financial or trading position or outlook of the Eminence Group since 31 March 2023, the date to which the latest published audited financial statements of Eminence were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This circular, for which the Eminence Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Eminence. The Eminence 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 the Eminence Directors and chief executive of Eminence

As at the Latest Practicable Date, none of the Eminence Directors or chief executive of Eminence (the “**Chief Executive**”) had any interests or short positions in the Eminence Shares, underlying Eminence Shares and debentures of Eminence or any of its associated corporations (within the meaning of Part XV of the SFO, which were required (i) to be notified to Eminence and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which the Eminence Directors or the Chief Executive were taken or deemed to have taken or deemed to have taken under such provisions of the SFO), or (ii) to be entered in the register kept by Eminence under Section 352 of the SFO, or (iii) to be notified to Eminence and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

(b) Interests of substantial Eminence Shareholders

As at the Latest Practicable Date, the persons (other than the Eminence Directors or the Chief Executive) who had an interest in the Eminence Shares and underlying Eminence Shares which would fall to be disclosed to Eminence 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 Eminence under Section 336 of the SFO were as follows:

Name of substantial Eminence Shareholder	Notes	Capacity	Number of Eminence Shares held	Number of underlying Eminence Shares	Approximate percentage of the total issued Eminence	
					Total	Shares
Ace Winner Investment Limited	(i) and (iii)	Beneficial owner	12,113,454*	–	12,113,454*	11.74%
Goodco Development Limited	(i), (iii) and (iv)	Beneficial owner	14,055,799	56,486,486	70,542,285	68.38%
Easyknit Properties Holdings Limited	(i), (iii) and (iv)	Interest of controlled corporation	14,055,799	56,486,486	70,542,285	68.38%

Name of substantial Eminence Shareholder	Notes	Capacity	Number of	Number of	Approximate	
			Eminence Shares held	underlying Eminence Shares	Total	percentage of the total issued Eminence Shares
Easyknit	(i), (iii) and (iv)	Interest of controlled corporation	26,753,937	56,486,486	83,240,423	80.70%
		Beneficial owner	<u>675,000</u>	<u>–</u>	<u>675,000</u>	<u>0.65%</u>
			27,428,937	56,486,486	83,915,423	81.35%
Magical Profits Limited	(ii), (iii) and (iv)	Interest of controlled corporation	27,428,937	56,486,486	83,915,423	81.35%
Accumulate More Profits Limited	(ii) and (iv)	Interest of controlled corporation	27,428,937	56,486,486	83,915,423	81.35%
The Winterbotham Trust Company Limited	(ii) and (iv)	Interest of controlled corporation	27,428,937	56,486,486	83,915,423	81.35%
Winterbotham Holdings Limited	(ii) and (iv)	Interest of controlled corporation	27,428,937	56,486,486	83,915,423	81.35%
Christopher Geoffrey Douglas Hooper	(ii) and (iv)	Interest of controlled corporation	27,428,937	56,486,486	83,915,423	81.35%

Notes:

- (i) In the 26,753,937 Eminence Shares, 12,113,454* Eminence Shares, 584,684 Eminence Shares and 14,055,799 Eminence Shares were registered in the name of and beneficially owned by Ace Winner Investment Limited, Landmark Profits Limited and Goodco Development Limited (which was wholly-owned by Easyknit Properties Holdings Limited) respectively, all of which were wholly-owned subsidiaries of Easyknit. 675,000 Eminence Shares were also beneficially owned by Easyknit.
- (ii) According to Form 2 filed on 12 April 2023 by Magical Profits Limited, on 4 April 2023, Magical Profits Limited, which was interested in approximately 41.25% of the issued share capital of Easyknit (including 1,343,000 Easyknit Shares held by the Eminence Group), was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by The Winterbotham Trust Company Limited as trustee of The Magical 2000 Trust. The Winterbotham Trust Company Limited was owned as to 75% by Winterbotham Holdings Limited, which in turn was owned as to approximately 99.99% by Mr. Christopher Geoffrey Douglas Hooper. As at the Latest Practicable Date, to the best knowledge, information and belief of the Eminence Directors and having made reasonable enquiries, Magical Profits Limited, which was interested in approximately 41.77% of the issued share capital of Easyknit (including 1,726,000 Easyknit Shares held by the Eminence Group, representing approximately 2.33% of the issued share capital of Easyknit).
- (iii) Ms. Lui, an Eminence Director, was also a director of Ace Winner Investment Limited, Goodco Development Limited, Easyknit Properties Holdings Limited, Easyknit and Magical Profits Limited and a substantial Easyknit Shareholder.

- (iv) On 20 February 2023, upon completion of the sale and purchase agreements, the 5% per annum coupon rate 5-year convertible note (the “**2023 CN**”) in a principal amount of HK\$209,000,000 at an initial conversion price of HK\$0.106 per conversion share was issued by Eminence (as issuer) to Goodco Development Limited (as noteholder). A total of 1,971,698,113 conversion shares will be allotted and issued upon full conversion of the 2023 CN. According to Form 2 filed on 21 July 2023 by Easyknit, upon effective of the capital reorganisation on 19 July 2023 (the “**Capital Reorganisation**”), number of issued Eminence Shares has reduced from 2,125,924,676 to 53,148,116 Eminence Shares; and conversion price of the 2023 CN to Goodco Development Limited has been adjusted from HK\$0.106 to HK\$4.24 per conversion Eminence Share and number of conversion Eminence Shares has been adjusted from 1,971,698,113 to 49,292,452 conversion Eminence Shares, Easyknit’s shareholding interest remains unchanged at 144.35%. According to Form 2 filed on 7 August 2023 by Easyknit, upon completion of 50,000,000 placing Eminence Shares on 3 August 2023, total number of issued Eminence Shares has increased from 53,148,116 to 103,148,116 Eminence Shares; and conversion price of the 2023 CN to Goodco Development Limited has been adjusted from HK\$4.24 to HK\$3.70 per conversion Eminence Share and number of conversion Eminence Shares has been adjusted from 49,292,452 to 56,486,486 conversion Eminence Shares, Easyknit’s shareholding interest has reduced from 144.35% to 81.35%.

- * According to Form 2 filed on 2 July 2021 by Ace Winner Investment Limited, on 25 June 2021, 300,000,000 Eminence Shares were pledged to Hang Seng Bank Limited. Upon completion of the Capital Reorganisation, number of pledged Eminence Shares has reduced from 300,000,000 to 7,500,000 Eminence Shares, representing approximately 7.27% equity interest of total issued Eminence Shares as at the Latest Practicable Date.

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

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

3. LITIGATION

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

4. EMINENCE DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Eminence Directors had any existing and proposed service contract with any member of the Eminence Group other than contracts expiring or determinable by the relevant member of the Eminence Group within one (1) year without payment of compensation (other than statutory compensation).

5. EMINENCE DIRECTORS' INTEREST IN COMPETING BUSINESS

Name of Eminence Director	Name of company	Nature of competing business	Nature of interest
Ms. Lui	Easyknit	Property investment, property development, investment in securities and others and loan financing	Easyknit Director and substantial Easyknit Shareholder

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

6. EMINENCE DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, save as disclosed in this circular, none of the Eminence Directors was materially interested in any contract or arrangement entered into by any member of the Eminence Group which was subsisting at the Latest Practicable Date and which was significant in relation to the business of the Eminence Group.

As at the Latest Practicable Date, save as disclosed in this circular, none of the Eminence Directors had any direct or indirect interest in any assets which had been acquired, disposed of or leased to or which were proposed to be acquired or disposed of by, or leased to any member of the Eminence Group since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Eminence Group were made up.

7. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Eminence Group) had been entered into by the Eminence Group within the two (2) years immediately preceding and including the Latest Practicable Date:

- (a) the deed of settlement dated 4 March 2022 entered into between Shui Kam Enterprises Limited and City China International Limited (an indirect wholly-owned subsidiary of Eminence) in relation to the settlement of the outstanding loans of HK\$39,834,292.14 under the loan agreements in return for a property situated at Lots Nos. 1278, 1279 and 1280 all in D.D. No. 124 Yuen Long, New Territories, Hong Kong with a valuation of HK\$40,000,000;

- (b) the conditional placing agreement dated 30 March 2022 entered into between Kingston Securities Limited (“**Kingston**”) (as placing agent) and Eminence (as issuer) in relation to the placing, on a best effort basis, of up to 186,280,000 new Eminence Shares at the placing price of HK\$0.10 per placing Eminence Share under general mandate for net proceeds of approximately HK\$18,380,000;
- (c) the conditional placing agreement dated 27 July 2022 entered into between Kingston (as placing agent) and Eminence (as issuer) in relation to the placing, on a best effort basis, of up to 607,400,000 new Eminence Shares at the placing price of HK\$0.068 per placing Eminence Share under specific mandate for net proceeds of approximately HK\$40,800,000;
- (d) the land resumption agreement dated 5 October 2022 entered into between the People’s Government of Zhili Town, Wuxing District, Huzhou City, Zhejiang Province, the PRC (the “**Huzhou Government**”) and Easyknit Enterprises (Huzhou) Co., Ltd. (“**Enterprises Huzhou**”, an indirect wholly-owned subsidiary of Eminence) in relation to the resumption of properties situated at Huzhou City, Zhejiang Province of the PRC which are owned by Enterprises Huzhou at a compensation amount of RMB386,982,000 (equivalent to approximately HK\$441,159,000) payable by the Huzhou Government to Enterprises Huzhou;
- (e) the agreement dated 4 November 2022 (the “**Option to Purchase 1**”) entered into between Grow Well Profits Limited (“**Grow Well Profits**”) (as vendor), an indirect wholly-owned subsidiary of Eminence, and Claire Huang and Eva Huang (as purchasers), two independent third parties in relation to the grant and exercise of the option to purchase the property located at 15 Ardmore Park #06-04, Ardmore Park, Singapore 259959 at the sale price of S\$12,500,000 (equivalent to approximately HK\$68,750,000) pursuant to the terms and conditions of the Option to Purchase 1;
- (f) the conditional sale and purchase agreement dated 30 November 2022 between Easyknit Properties Holdings Limited (“**Easyknit Properties**”) (as seller), a wholly-owned subsidiary of Easyknit, and Eminence (as purchaser) for the sale and purchase of the entire issued share capital and the assignment of loan of On Channel International Limited at the aggregate purchase price of HK\$44,000,000;
- (g) the conditional sale and purchase agreement dated 30 November 2022 between Easyknit Properties (as seller), a wholly-owned subsidiary of Easyknit, and Eminence (as purchaser) for the sale and purchase of the entire issued share capital and the assignment of loan of Day Glory Investment Limited at the aggregate purchase price of HK\$24,800,000;
- (h) the conditional sale and purchase agreement dated 30 November 2022 between Easyknit Properties (as seller), a wholly-owned subsidiary of Easyknit, and Eminence (as purchaser) for the sale and purchase of the entire issued share capital and the assignment of loan of Well Honest Investment Limited at the aggregate purchase price of HK\$24,200,000;
- (i) the conditional sale and purchase agreement dated 30 November 2022 between Easyknit Properties (as seller), a wholly-owned subsidiary of Easyknit, and Eminence (as purchaser) for the sale and purchase of the entire issued share capital and the assignment of loan of Asia Million Investment Limited at the aggregate purchase price of HK\$247,000,000;

- (j) the agreement dated 14 April 2023 (the “**Option to Purchase 2**”) entered into between the Grow Well Profits (as vendor), and Yu Sung Jin (as purchaser), an independent third party in relation to the grant and exercise of the option to purchase the property located at 15 Ardmore Park #04-03, Ardmore Park, Singapore 259959 at the sale price of S\$13,008,888 (equivalent to approximately HK\$76,752,400) pursuant to the terms and conditions of the Option to Purchase 2;
- (k) the conditional placing agreement dated 29 May 2023 entered into between Kingston (as placing agent) and Eminence (as issuer) in relation to the placing, on a best effort basis, of up to 50,000,000 new Eminence Shares at the placing price of HK\$0.50 per placing Eminence Share under specific mandate for net proceeds of approximately HK\$24,700,000;
- (l) the Revolving Loan Agreement; and
- (m) the Deed of Guarantee.

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	Eminence 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 2023 (being the date to which the latest published audited consolidated accounts of the Eminence Group were made up), acquired or disposed of by or leased to any member of the Eminence Group, or were proposed to be acquired or disposed of by or leased to any member of the Eminence Group; and
- (b) any shareholding in any member of the Eminence Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Eminence Group.

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

9. GENERAL

- (a) The company secretary of Eminence is Mr. Lee Po Wing, a practising solicitor since 1994.
- (b) The registered office of Eminence is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of Eminence in Hong Kong is at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of Eminence is Tricor Secretaries Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The English text of this circular and the enclosed form of proxy shall prevail over the Chinese text where there is any inconsistency.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the respective websites of Eminence (<http://www.eminence-enterprise.com>) and the Stock Exchange (www.hkexnews.hk) for a period of fourteen (14) days from the date of this circular:

- (a) the letter from the Eminence Independent Board Committee as set out on page 19 of this circular;
- (b) the letter from Red Sun Capital Limited, the Eminence Independent Financial Adviser as set out on pages 20 to 39 of this circular;
- (c) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix; and
- (d) the written consent referred to in the paragraph headed “Expert and Consent” in this appendix.

NOTICE OF THE EMINENCE 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 (the “**Eminence SGM**”) of Eminence Enterprise Limited (“**Eminence**”) 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, 9 November 2023 at 9:00 a.m. (or at any adjournment thereof) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed with or without amendments, as an ordinary resolution of Eminence:

ORDINARY RESOLUTION

“**THAT:**

- (a) the Revolving Loan Agreement and the Deed of Guarantee (copies of which are produced to the Eminence SGM and initialled by the chairman of the Eminence SGM for the purpose of identification) and transactions contemplated thereunder or the Annual Cap Amount be and is or are hereby approved, confirmed and ratified; and
- (b) any one (1) or two (2) of the Eminence Director(s) be and is or are hereby authorised for and on behalf of Eminence and in its name to sign and execute or procure the signature(s) and execution of all such documents, instruments and agreements, and do all such acts, matters and things as he or she or they may in his or her or their absolute discretion consider(s) necessary, desirable or expedient for the purposes of or in connection with executing, implementing, completing and giving effect to the Revolving Loan Agreement and the Deed of Guarantee and transactions contemplated thereunder or the Annual Cap Amount.”

Terms defined in this circular of Eminence dated 18 October 2023 to the Eminence Shareholders are used in this resolution with those defined meanings.

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

Hong Kong, 18 October 2023

NOTICE OF THE EMINENCE 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 proxy form for use at the Eminence SGM is enclosed herewith.
2. Any shareholder of Eminence (“**Eminence Shareholder**”) entitled to attend and vote at the Eminence SGM convened by the above notice is entitled to appoint another person as his or her proxy to attend and vote instead of him or her. An Eminence Shareholder who is the holder of two or more shares of Eminence (“**Eminence Share(s)**”) may appoint more than one proxy to represent him or her and on his or her behalf at the Eminence SGM. A proxy need not be an Eminence Shareholder. In addition, a proxy or proxies representing either an Eminence Shareholder who is an individual or an Eminence Shareholder which is a corporation shall be entitled to exercise the same power on behalf of the Eminence Shareholder which he or she or they represent(s) as such Eminence Shareholder could exercise.
3. Where there are joint registered holders of any Eminence Share, any one of such persons may vote at the Eminence SGM, either personally or by proxy, in respect of such Eminence Share as if he or she was solely entitled thereto; but if more than one of such joint holders be present at the Eminence SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of Eminence (the “**Register of Members**”) in respect of such Eminence Share shall alone be entitled to vote in respect thereof.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his or her attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer, attorney or other person duly authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorized to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at Eminence’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than forty-eight (48) hours before the time for holding the Eminence SGM or any adjourned meeting thereof (as the case may be) at which the person named in the instrument proposes to vote and, in default, the instrument of proxy shall not be treated as valid.
6. For determining the entitlement to attend and vote at the Eminence SGM, the Register of Members will be closed from Monday, 6 November 2023 to Thursday, 9 November 2023 (both dates inclusive), during which period no transfer of the Eminence Shares will be effected. In order to qualify to attend and vote at the Eminence SGM, all transfers forms of the Eminence Shares accompanied by the relevant share certificates must be lodged with Eminence’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, 3 November 2023, for registration.
7. Delivery of an instrument appointing a proxy shall not preclude an Eminence Shareholder from attending and voting in person at the Eminence SGM or any adjournment thereof (as the case may be) or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.
8. The resolution(s) set out in this notice will be taken by poll at the Eminence SGM.

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

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